



COTSWOLD
DISTRICT COUNCIL

AUDITED STATEMENT OF ACCOUNTS
2014/2015

Cotswold District Council

Statement of Accounts 2014/2015

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Explanatory Foreword

The Statement of Accounts which follows this foreword has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code'). This foreword has been written to provide a concise and understandable guide for the reader of the accounts of the most significant aspects of the authority's financial performance, cash flows and year-end financial position.

1. The 'core' statements

The statement of accounts comprises four 'core' statements, the Collection Fund and Council Group Accounts, with its supporting notes. To gauge an idea of the Council's financial position and activities the 'core' statements provide a good summary. To gain a detailed understanding of the accounts the core statements need to be read in conjunction with the supporting notes to the accounts.

The purpose of each of the core statements is briefly outlined below.

The Comprehensive Income & Expenditure Statement (CI&E)

The CI&E statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The CI&E represents the 'running costs' of the Council for the year. The statement represents costs in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation.

The Movement in Reserves Statement

The Movement in Reserves Statement (or MiRS) provides a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year. It does this by analysing:

- The increase or decrease in the net worth of the authority as a result of incurring expenses and generating income
- The increase or decrease in the net worth of the authority as a result of movements in the fair value of its assets
- Movements between reserves to increase or reduce the resources available to the authority according to statutory provisions

The Council's reserves are classified as either useable or unusable reserves. Useable reserves are as they sound, available for use. Unusable reserves are those reserves held for accounting purposes and do not represent funds that can be spent. The total of the reserves represents the 'net worth' of the Council.

The Balance Sheet

The balance sheet summarises the financial position of the authority at a specific point in time. For these accounts the balance sheet represents the position as at 31st March. The 'top half' of the balance sheet summarises the assets and liabilities that the Council holds, or has accrued with other parties. The 'bottom half' of the balance sheet details the Council's reserves, which represent the 'net worth' of the authority. The reserves of the authority are split into usable and unusable reserves as follows:

- Usable reserves, which (as the name suggests) include revenue and capital resources which are available for use, and can be used to meet future expenditure.
- Unusable reserves which are primarily adjustment accounts which absorb the difference between the outcome of applying proper accounting practices and the requirement of statutory arrangements for funding expenditure. These accounts do not represent balances that can be spent.

The Cash Flow Statement

The cash flow statement summarises the flows of cash that have taken place into and out of the authority's bank accounts over the financial year. It separates flows into: those that have occurred as a result of the authority's operations; those arising from the authority's investing activities (including cash flows related to non-current assets), and; those attributable to financing decisions. The movement in cash and cash equivalents on the cash flow statement match the movement between years on the balance sheet.

The Collection Fund

Although not a core statement as such, the Council is also required to produce a Collection Fund statement. The collection fund is a statutory fund separate from the main accounts of the Council. It shows the various transactions relating to council tax and business rates collection. The account illustrates the amount of council tax collected and how the council tax has been distributed to preceptors (Gloucestershire County Council, Gloucestershire Police and Crime Commissioner, Town and Parish Councils) and this Council. The account also records the amount of business rates collected and how this has been distributed to the Council, Gloucestershire County Council and central government, under the Business rates Retention Scheme.

2. Service expenditure compared to budget.

The outturn for the year compared to budget is shown below.

Service Directorate	Original Budget £	Revised Budget	Actual Outturn £	(under) / overspend vs. budget
Chief Executives	1,222,762	1,222,762	1,148,236	(74,526)
Corporate Management	1,756,488	1,756,488	1,787,396	30,908
Corporate Resources	630,136	609,136	597,873	(11,263)
Waste Management	3,726,701	3,755,252	3,435,943	(319,309)
Parking Services & Public Conveniences	(1,110,795)	(1,110,795)	(1,143,190)	(32,395)
Other Environmental Services	1,985,647	1,782,572	1,575,447	(207,125)
Leisure & Cultural Services	1,129,435	1,100,672	1,051,396	(49,276)
Planning	1,442,415	1,181,865	733,465	(448,400)
Sustainable Communities & Housing	1,400,375	1,785,075	1,701,928	(83,147)
Interest from Investments Income	(170,750)	(170,750)	(60,893)	109,857
Other accounting adjustments	(1,190,874)	(1,090,737)	(1,062,251)	28,486
Net revenue budget	10,821,540	10,821,540	9,765,351	(1,056,189)
RSG	(2,004,083)	(2,004,083)	(2,004,083)	0
Business Rates Retention	(2,537,195)	(2,537,195)	(2,163,504)	373,691
Business Rates Smoothing Reserve	0	0	650,000	650,000
New Homes Bonus and Other Grants	(2,016,808)	(2,016,808)	(2,054,714)	(37,906)
Council Tax Income [Council share]	(4,909,927)	(4,909,927)	(4,909,927)	0
Collection Fund (surplus)/deficit	644,974	644,974	644,974	0
Contribution to / (from) General Fund	1,500	1,500	71,904	70,404
	0	0	0	0

The Council's Summary Performance Report for 2014/15 will be considered by Cabinet on 9th July 2015. The report details the key variances for the year and explanations of the major balances. All Committee papers are available from the Council website at: www.cotswold.gov.uk

3. Material Assets and Liabilities acquired during the year.

No material assets or liabilities have been acquired during the 2014/15 year.

4. Pensions liability

Cotswold District Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority.

The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

At the balance sheet date the actuarial valuation had the pension fund in deficit (liabilities exceed assets). The valuation was represented as follows:

	£000
Fair value of employer assets	57,337
Present value of defined benefit obligation	(100,906)
Surplus / (deficit) on the pension fund	(43,569)

Every three years, the pensions fund is formally valued by the fund actuary. The valuation is used to inform decisions on the level of contributions into the fund. The last valuation was carried out as at 31st March 2013. The Council is making contributions to cover liabilities accruing for employees that are members of the scheme and an annual lump-sum contribution to fund the deficit.

For a full breakdown of the disclosures on the pension fund see Note 47 to the accounts.

5. Explanation of any material and unusual charges or credits in the accounts

Asset revaluations

During the year the Council's car parks and investment properties were revalued. All revaluations were undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation guidance. The car parks increased in value by over £12,000,000 from their previous valuation.

Changes in the valuation of pension fund liabilities

The Council's pension fund liability is calculated by the actuary in accordance with International Accounting Standard 19 (IAS 19). The liability in the pension fund has increased by £7.9m over the past year. The movement is largely due to changes in actuarial assumptions as follows:

Long-term expected rate of return on assets in the scheme:

Rate of return:	2013/14	2014/15
• Equity investments	6.6%	3.2%
• Bonds	3.8%	3.2%
• Property assets	4.7%	3.2%
• Cash	3.7%	3.2%

Financial assumptions:

Assumptions:	2013/14	2014/15
• Rate of inflation (CPI)	2.8%	2.4%
• Rate of increase in pensions	2.8%	2.4%
• Rate of increase in salaries	4.1%	3.8%
• Discount rate	4.3%	3.2%

The most significant change to actuarial assumptions is the reduction in the discount rate applied of 1.1% [4.3% in 2013/14 to 3.2% in 2014/15]. Overall changes in financial assumptions have accounted for an increase in fund liabilities of £13m.

The next formal valuation of the fund will be carried out in March 2016 when the level of contribution will be reviewed.

Significant areas of income and expenditure within the revenue account include:

Description	2013/14 £	2014/15 £
<u>Expenditure:</u>		
Staff salaries (including NI and pension costs)	8,822,328	8,915,159
Housing benefit payments	20,257,739	20,337,497
<u>Income:</u>		
Housing benefit subsidy grant	(19,990,792)	(20,018,994)
Revenue support grant [RSG]	(2,466,458)	(2,003,593)
Non-domestic rates net movements	(1,669,467)	(2,163,504)
Council tax receipts [CDC share]	(4,857,293)	(4,909,927)

6. Significant changes in accounting policy

From 2010/11 the statement of accounts has been prepared based upon International Financial Reporting Standards, in accordance with the local authority adaptation of the standards, documented within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). The Council's accounting policies are based upon the requirements of the Code.

There have been no other significant changes in accounting standards or accounting policy during 2014/15 that have affected the Council.

7. Major changes in functions

No major changes in functions have taken place during 2014/15.

8. Non-current asset [fixed asset] purchases and disposals

During the year the Council purchased and disposed of a number of assets. The Council's purchases of non-current assets, capital enhancement works and asset disposals during 2014/15 can be summarised as follows:

Class of asset	Purchases [cost] £	Disposals [sale price] £
Property, Plant and Equipment (PPE)	442,283	1,622,500
Assets held for sale	0	0
Investment Property	0	570,000
Intangible assets [ICT software]	41,575	0
Total	483,858	2,192,500

The asset disposals were made up of the Kingsmeadow Lorry Park site, in Cirencester (which included the Lorry Park Public Conveniences and Greasy Joe's Café); the old Social & Services Club, on Chesterton Lane; and a small number of vehicles.

9. Summary of the Authority's internal and external sources of funds to meet its capital plans, and commitments

The Council is currently debt free. It has no external borrowing.

A summary of the balances available to the Council in reserves to fund its future plans and meet its future commitments are as follows:

Funding source [reserves]	31st March 2014 £	31st March 2015 £
General Fund balance	2,839,697	2,911,603
Earmarked reserves	4,196,133	4,801,692
Capital grants unapplied account	206,943	155,363
Capital receipts	7,941,163	11,019,223
	15,183,936	18,887,881

The Council plans to utilise its capital receipts to fund its capital programme. There are currently no plans to use Prudential Borrowing powers over the life of the Council's Medium Term Financial Strategy.

10. Significant provisions or contingencies

At 31st March the Council has £1,080,424 set aside in provisions. £831,101 is a result of arrangements for the retention of business rates that came into effect as at 1st April 2013, whereby local authorities assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The provision represents the Council's potential share of the outstanding liability at the balance sheet date.

Details of all provisions are included in note 22 to the accounts. Contingent liabilities are disclosed under note 48.

11. Events after the reporting date

In April 2015 the Council's Strategic Director (Community Services) was made redundant. The costs and disclosures in relation to the redundancy will be included in the 2015/16 Statement of Accounts.

There are no additional events to report after the balance sheet date.

12. Impact of the current economic climate and the outlook for the future

The financial implications of the new Conservative government, elected in May 2015, are currently being assessed. An Emergency Budget will be announced in July 2015 and it is widely expected that the austerity cuts of recent years will be set to continue. Local government is highly likely to receive further cuts to its core government funding.

It is already been announced that the Settlement Funding Assessment for this council will reduce by £461,000 or 12.5% in 2015/16. This cut, together with the assumed impact of further austerity measures, has been incorporated within the Council's Medium Term Financial Strategy which was approved in February 2015. The strategy contained the following savings targets:

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Savings targets	£491	£459	£504	£190

The Council plans to achieve the bulk of these savings targets through the implementation of the 2020 Vision for Joint Working which was endorsed by this Council and the 2020 Vision partner Councils: Cheltenham Borough Council, Forest of Dean District Council and West Oxfordshire District Council in December 2014.

Changes have already been put in place to deliver the savings target of £491,000 in 2015/16 and details are set out in the report considered by Council which is available via the link below:

<http://www.cmis.cotswold.gov.uk/cm5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/4299/Committee/879/Default.aspx>

The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The Government established a baseline funding level for each local authority. Where the value of retained business rates

exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council. In order to maximise the value of business rates retained within Gloucestershire, the Council is a member of the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the levy from 50% to 19%. However, there is also a considerable risk associated with the pool and surpluses or deficits generated by the Pool are allocated in accordance with the governance arrangements agreed by the Gloucestershire Councils.

At the end of 2013/14, the Pool generated a surplus of £774,862, with the Council receiving a financial benefit of £25,156 from being a member of the Gloucestershire Pool. During 2014/15 two factors have impacted significantly upon the performance of the Gloucestershire Pool:

- In Tewkesbury Borough Council, Virgin Media were successful in their appeal of their rateable value (RV) which saw a reduction far greater than had been anticipated by Tewkesbury BC or the Gloucestershire Pool;
- The Government put a deadline for the receipt of appeals against the 2010 list of 31st March 2015 which consequently saw a significant number of appeals lodged in the last 2 weeks of the year. This is a national issue and many councils have had to increase their provisions for appeals by £millions. In Gloucestershire the value of the appeal provision increased by £2.5m (excluding Tewkesbury Borough Council provision) or £9.1m including Tewkesbury Borough Council provision.

For 2014/15, the Gloucestershire pool is reporting a deficit position of £2.3m. Once the pool reserve has been applied to the deficit, the net position is a deficit of £2.1m. This Council's contribution to the deficit of £228,988 has been included within these financial statements.

A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the 2010/11 financial year which reduces the business rates yield in the year in which the refund is made. The Gloucestershire Chief Finance Officers will be reviewing the viability of the Business Rates Pool for 2016/17 and will be making recommendations on the constitution of any Gloucestershire pool during the autumn of 2015.

The Gloucestershire Local Government Pension Scheme will be subject to its triennial valuation in March 2016. The outcome from the valuation will establish this Council's contribution levels for the following financial years.

The impact of the above challenges will be included within the next update of the Councils' Medium Term Financial Strategy.

In the face of challenges such as: funding cuts, low investment returns, significant increases in the value of contributions to the Local Government Pension Scheme and political pressure to reduce the cost of council tax, the Council has responded very proactively and has implemented significant changes which have enabled it to develop a balanced budget for 2015/16, cut council tax for the past three years and protect local services. There are further challenges ahead but the Council is well placed to face these challenges, particularly through its involvement with the 2020 Vision partnership.

13. Further information

For further information on the accounts please contact: Jenny Poole, Chief Finance Officer, Cotswold District Council, Trinity Road, Cirencester, Gloucestershire, GL7 1PX; or via email at Jenny.Poole@Cotswold.gov.uk.

A handwritten signature in black ink, appearing to read 'J Poole', with a stylized flourish at the end.

Jenny Poole CPFA
Chief Finance Officer

The Comprehensive Income & Expenditure Statement

2013/14 Gross Expenditure	2013/14 Income	2013/14 Net Expenditure	2014/15 Gross Expenditure	2014/15 Income	2014/15 Net Expenditure	Note
£	£	£	£	£	£	
3,894,611	(1,256,633)	2,637,978	1,448,024	(205,380)	1,242,644	
7,653,827	(2,573,007)	5,080,820	7,687,864	(2,769,701)	4,918,163	
3,295,046	(1,583,927)	1,711,119	4,161,989	(2,006,186)	2,155,803	
992,599	(2,361,905)	(1,369,306)	1,030,599	(2,465,436)	(1,434,837)	
22,786,199	(21,231,403)	1,554,796	23,282,774	(21,639,356)	1,643,418	
1,432,156	(218,753)	1,213,403	1,690,733	(182,095)	1,508,638	
860,397	0	860,397	52,862	0	52,862	
4,247,507	(3,749,176)	498,331	4,766,009	(4,020,695)	745,315	
45,162,343	(32,974,804)	12,187,539	44,120,854	(33,288,848)	10,832,006	
4,781,300	(728,212)	4,053,088	2,312,047	(2,176,994)	135,053	9
1,825,206	(858,815)	966,391	1,945,621	(852,222)	1,093,399	10
10,486,672	(23,123,802)	(12,627,130)	10,283,853	(23,105,844)	(12,821,991)	11
62,285,521	(57,685,633)	4,579,889	58,662,376	(59,423,909)	(761,533)	
		(2,883,733)			(19,842,781)	
		(2,456)			(10,912)	
		4,608,000			7,129,000	
		0			0	
		1,741,811			(12,724,693)	
		6,321,700			(13,486,226)	

Movement in Reserves Statement 2014/15

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Balance at 31 March 2014	2,839,699	4,196,133	206,943	7,941,163	15,183,938	6,215,103	21,399,040
Surplus/(deficit) on provision of services (accounting basis)	761,533	0	0	0	761,533	0	761,533
Other Comprehensive Expenditure and Income	0	0	0	0	0	12,724,693	12,724,693
Total Comprehensive Income & Expenditure	761,533	0	0	0	761,533	12,724,693	13,486,226
Adjustments between accounting basis & funding basis under regulations [see Note 7 to the Accounts]	(84,071)	0	0	0	(84,071)	(687,591)	(771,662)
Other movements in reserves	0	0	(51,580)	3,078,060	3,026,480	(2,254,818)	771,662
Net Increase / (Decrease) in GF balance before Transfers to Earmarked Reserves	677,463	0	(51,580)	3,078,060	3,703,943	9,782,283	13,486,226
Transfers (to) / from earmarked reserves	44,442	(44,442)	0	0	0	0	0
Transfers (to) / from Business Rates movement reserve	(650,000)	650,000	0	0	0	0	0
Increase / (Decrease) in Year	71,904	605,558	(51,580)	3,078,060	3,703,943	9,782,283	13,486,226
Balance at 31 March 2015	2,911,603	4,801,691	155,363	11,019,223	18,887,881	15,997,386	34,885,267

Movement in Reserves Statement 2013/14

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£
Balance at 31 March 2013	1,813,082	4,903,351	323,478	8,726,433	15,766,345	11,954,396	27,720,740
Surplus/(deficit) on provision of services (accounting basis)	(4,579,889)	0	0	0	(4,579,889)	0	(4,579,889)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(1,741,811)	(1,741,811)
Total Comprehensive Income & Expenditure	(4,579,889)	0	0	0	(4,579,889)	(1,741,811)	(6,321,700)
Adjustments between accounting basis & funding basis under regulations [see Note 7 to the Accounts]	5,399,287	0	0	0	5,399,287	(1,160,235)	4,239,051
Other movements in reserves	0	(500,000)	(116,535)	(785,270)	(1,401,805)	(2,837,247)	(4,239,051)
Net Increase / (Decrease) in GF balance before Transfers to Earmarked Reserves	819,398	(500,000)	(116,535)	(785,270)	(582,407)	(5,739,293)	(6,321,700)
Transfers (to) / from earmarked reserves	207,218	(207,218)	0	0	0	0	0
Increase / (Decrease) in Year	1,026,616	(707,218)	(116,535)	(785,270)	(582,407)	(5,739,293)	(6,321,700)
Balance at 31 March 2014	2,839,699	4,196,133	206,943	7,941,163	15,183,938	6,215,103	21,399,040

Balance Sheet

31st March 2014 £		Note	31st March 2015 £
32,429,529	Property, Plant & Equipment	12	47,070,609
0	Assets under construction	12	133,357
17,000	Heritage Assets	51	17,000
5,185,499	Investment Property	13	5,050,299
493,867	Intangible Assets	14	362,853
0	Long Term Investments	15	0
3,610,604	Long Term Debtors	18	3,255,080
41,736,499	Long Term Assets		55,889,199
12,549,281	Short Term Investments	15	14,054,834
12,907	Inventories	16	29,081
3,611,747	Short Term Debtors	18	3,639,186
4,315,159	Cash and Cash Equivalents	19	7,128,693
486,487	Assets held for sale	20	4,235,829
20,975,582	Current Assets		29,087,623
0	Bank Overdraft		0
(4,023,530)	Short Term Creditors	21	(4,411,833)
(862,566)	Short Term Creditors - s.106 balances	21	(733,207)
(507,822)	Provisions	22	(1,080,424)
(5,393,918)	Current Liabilities		(6,225,465)
0	Long Term Creditors		0
(35,608,000)	Other Long Term Liabilities	33	(43,569,000)
(311,124)	Capital Grants Receipts in Advance	38	(297,092)
(35,919,124)	Long Term Liabilities		(43,866,092)
21,399,039	Net Assets		34,885,265
15,183,937	Usable reserves	23	18,887,880
6,215,102	Unusable Reserves	24	15,997,385
21,399,039	Total Reserves		34,885,265

Cash flow statement

	Note	2013/14 £000s	2014/15 £000s
Net (surplus) or deficit on the provision of services		4,480	(762)
Adjustments to net surplus or deficit on the provision of services to exclude non-cash movements		(5,998)	(2,985)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		783	2,193
Net cash flows from Operating Activities	25	(736)	(1,555)
Investing Activities	26	1,990	(1,259)
Financing Activities	27	0	0
Net (increase) or decrease in cash and cash equivalents		1,254	(2,814)
Cash and cash equivalents at 1st April		(5,569)	(4,315)
Cash and cash equivalents at 31st March		(4,315)	(7,128)

Notes to the Accounts

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the 31st March year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, those regulations which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* and the *Service Reporting Code of Practice for Local Authorities (SeRCOP)*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The summary of significant accounting policies includes the following items where they have a significant effect on the amounts recognised in the financial statements:

(b) Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not when physical cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories [stock] on the Balance Sheet, where the value is material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument ('what is due') rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. For all debts outstanding at the balance sheet date the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

(c) Acquisition and Discontinued Operations

Where operations are acquired, discontinued or transferred these will be fully disclosed in the notes to the accounts.

(d) Cash and cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable, without penalty, on notice of not more than 24 hours. This includes bank call-accounts, Money Market Funds (MMF) and any other 'overnight-type' investments.

(e) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

(f) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A full disclosure of the reasons for the amendments will accompany any changes in figures.

(g) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore

replaced by the contribution in the General Fund Balance - Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(h) Employee Benefits (updated)

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlement (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Overtime is only paid on limited occasions and requires prior Head of Service approval. Overtime is not contractual or regular, and therefore any holiday leave potentially accruing on overtime worked is not significant. The Council does not accrue for holiday pay due on overtime.

Termination benefits

Termination benefits are amounts payable as a result of decisions by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or the employee in the year, not the amount calculated according to the relevant accounting standards.

(i) Post employment benefits

Employees of the Authority are permitted to join of the Local Government Pension Scheme, administered by Gloucestershire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the IAS19 valuation date. This is a high quality corporate bond of equivalent term and currency to the liability.
- The assets of the Gloucestershire County Council pension fund attributable to the Authority are included in the balance sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

(j) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events (both favourable and unfavourable) that occur between the end of the reporting period and the date when the Statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(k) Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for

interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Any borrowing that the Authority may undertake would be presented in the Balance Sheet at the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, where material. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables (updated)

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Where loans are repaid in advance of the settlement date the Council will recognise any interest paid in respect of the loan in the financial year in which settlement is received.

Instruments entered into before 1 April 2006

The Council has not entered into any financial guarantees that are not required to be accounted for as financial instruments. These guarantees would be reflected in the Statement

of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

(l) Foreign Currency Translation

The Council deals in sterling wherever possible.

Movements in foreign currency exchange rates will impact on the value of the investment. At the time the investment matures (or at the balance sheet date) investments are valued, based upon the current exchange rate. Any change in investment value will be debited or credited to the 'financing and investing income & expenditure' section of the Comprehensive Income & Expenditure Account as an exchange rate gain/loss.

The Authority currently has one financial asset denominated in Icelandic Krona.

(m) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is only then credited to Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Most Section 106 grant contributions which the Council holds have conditions which require the contribution to be returned if the contribution remains unspent after 5 years. Although it is highly probable that the conditions will be met, it is not guaranteed. Section 106 contributions are therefore held on the balance sheet as creditors. Similarly, where grants have been received for specific projects these are treated as grants with conditions [creditors] until the project has begun or the item of equipment to which the grant relates has been purchased.

(n) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it

expected that future economic benefits or service potential will flow from the intangible asset to the authority. Intangible assets are measured initially at cost.

The depreciable amount of an intangible asset is amortised over its useful life (usually 4 years) to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Council carries no internally generated intangible assets on its balance sheet.

(o) Interests in Companies and Other Entities

The Authority is required to consider all its interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.

The Council has such an interest in Ubico Ltd.

(p) Inventories and Long Term Contracts

Inventories [stocks] are included in the Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(q) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if is classified as held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are subject to a review at year end to determine whether market conditions require properties to be revalued. Any gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account or (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(r) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value, measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority may be added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in Accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Lease payments made under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

The Authority as Lessor

Finance leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement on Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset (if material) and charged as an expense over the lease term on the same basis as rental income.

(s) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Recharges are primarily made on the basis of time allocations or other means of activity. Examples of recharge methodologies include debtors and creditors (transaction numbers), payroll and personnel (employee numbers) and office overheads (floor areas), for example.

(t) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

The Council's capitalisation de minimis is £10,000, except for where the sum of a group of assets is significant, such as waste collection bins and boxes or ICT equipment.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The 'cost' of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition was for no monetary value. Where the purchase of an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are carried in the Balance sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other classes of asset – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Items of equipment, which have short useful lives or low values (or both) are held on the balance sheet at depreciated historical cost, as an approximation of fair value.

Assets included in the balance sheet at fair value are revalued to ensure that their carrying amount is not materially different from their fair value at year-end. All land and buildings are revalued at least every 5-years as part of a rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where items or property plant and equipment are revalued, and the valuers identifies an asset which has component parts that have significantly different useful lives, where one or more parts represent a significant proportion of the overall asset, then the asset may be componentised. With componentisation, one or more constituent parts may be identified, and the component parts separately valued for the accounts and depreciated over different useful

lives to the main asset. Useful economic lives (and therefore depreciation calculations) will be based upon the asset lives recommended by the Council's valuers.

Upon revaluation, where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. Assets are written-down over the useful life of the asset. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are under construction (and not yet available for use).

Depreciation is calculated on the following bases:

- Operational buildings and surplus property – depreciated on a straight-line basis, over a 40 year period (unless an asset life is deemed to be materially different to this by the Council's Valuer).
- Land is not depreciated
- Vehicles, plant, furniture and equipment – depreciated on a straight-line basis, over a 4-year period
- Investment property is not depreciated

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

If assets no longer meet the criteria to be classified as Assets Held for Sale, it will be reclassified back to non-current assets and valued at the lower of their carrying amount before being classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any accumulated revaluation gains held for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve.

(u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and certainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Any material contingent liabilities are disclosed in the notes to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in the notes to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(v) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance, via the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then charged back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement & employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

(w) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account to reverse out the amounts charged so there is no impact on the level of council tax.

(x) Heritage Assets

Heritage assets are those assets that are held and maintained principally for their contribution to knowledge and culture.

The Council owns the Corinium Museum in Cirencester. The museum contains a large number of artefacts, with a particular specialism in the Roman heritage of Cirencester and the surrounding area. Many of the items in the Museum collection meet the classification of Heritage Assets adopted by the Code [FRS 30].

Where assets have been purchased or recently obtained, information on their cost or value will be available. The Code allows that where this information is not available, or cannot be obtained at a value which is commensurate with the benefits to users of the financial statements, that the assets need not be recognised in the Balance Sheet. The majority of the Council's museum collection has not been included on the Council's Balance Sheet.

When purchased or where a value is available, heritage assets are recognised on the balance sheet at historic cost. Assets within the museum collection are deemed to have indeterminate lives; hence the authority does not consider it appropriate to charge depreciation on those heritage assets on the Council's balance sheet. Due to the nature of the type of assets held, the Council's heritage assets are not subject to revaluation and will only be impaired if there is clear reason to suspect the assets have become impaired.

(y) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

2. Accounting standards that have been issued but have not yet been adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. There is also the requirement for an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

Accounting standards that have seen amendments are: IFRS13 *Fair Value Measurement*, IFRS21 *Levies* and the *Annual Improvements to IFRSs (2011 to 2013 cycle)* – primarily; IFRS1 *Meaning of effective IFRSs*, IFRS3 *Scope of exceptions for joint ventures* and IAS40 *Clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment Property when classifying property as investment property or owner-occupied property*.

It is not anticipated that these changes to accounting standards (when adopted) will have a material impact upon the financial statements or balances of the Council.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has plans in place that enable it to determine the requirement for savings which may need to be delivered by greater efficiency savings or reducing levels of service provision.

Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases does result in different accounting treatment. In each case, a lease is classified based upon criteria contained within the Code and an assessment of the nature of the leasing arrangement in place.

A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the 2010/11 financial year which reduces the business rates yield in the year in which the refund is made. This set of accounts includes a provision for appeal losses. The value has been assessed using information of outstanding appeals supplied by the valuation office, as at 31st March, and using experience of previous appeals rates.

4. Assumptions made

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant assumptions affecting the statement of accounts include:

Item	Uncertainties	Effect if actual result differs from assumption
Property, Plant and Equipment	Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council's valuers.	If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall.
Pension liability	The estimation of the pension liability is based upon a number of factors and judgements applied by the scheme's actuary. Estimates are made upon judgements and conditions as seen by the actuary at a point in time.	The effect of changing assumptions will result in changes in the valuation of the pension funds assets and liabilities.
Bad debt provisions	Debtors on the balance sheet assume an element of bad debt (when debtors can not/will not settle their debt to the Council).	Income receivable and included in the accounts will differ from that actually received. The CI&E could be overstated. The effect is offset by establishing a suitable provision.

Where other assumptions have been made these will be disclosed in the appropriate note to the accounts.

5. Prior-period adjustments

The Council has made no prior period adjustments to its Statement of Accounts.

6. Events after the balance sheet date

There have been no significant events after the balance sheet date that require reporting.

7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Adjustments are made against the following reserves:

General fund balance

The general fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might state otherwise. The general fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services (or the deficit of resources that the Council is to recover) at the end of the financial year.

Earmarked reserves

Where resources have been set-aside for specific projects or activities the allocation is shown in earmarked reserves.

Capital receipts reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure. The balance on the reserve shows the resources that are yet to be applied for these purposes at the year-end.

Capital grants unapplied

The capital grants unapplied account holds grants and contributions which have been received but are yet to be applied to meet expenditure. Grants may have specific terms attached to the use of the allocation (eg. The grant must be spent in a specific service area). Where the Council has received grant monies, but are yet to meet the specific terms of the grant, the balance is held as a receipt in advance on the balance sheet (and not in the capital grants unapplied account).

Adjustments between accounting basis and funding basis under regulations 2014/15

2014/15 Adjustments between accounting basis and funding under regulations	Usable Reserves				Unusable Reserves £
	General Fund Balance £	Earmarked Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	
<i>Adjustments primarily involving the Capital Adjustment Account:</i>					
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>					
Charges for depreciation and amortisation	(1,268,888)	0	0	0	1,268,888
Revaluation losses on PPE	(260,220)	0	0	0	260,220
Movements in the market value of Investment Properties	160,300	0	0	0	(160,300)
Revenue expenditure funded from capital under statute	(914,860)	0	0	150,790	764,070
Writing-out Revaluation Reserve balance on disposal of fixed assets	(290,599)	0	0	0	290,599
Writing-out the asset NBV on disposal of fixed assets	(409,665)	0	0	0	409,665
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Capital expenditure charged against the General Fund	250,000	0	0	0	(250,000)
Historic Cost Depreciation Adjustment	0	0	0	0	0
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>					
Grants credited from the CI&E statement	0	0	0	0	0
Application of grants to CAA	609,488	0	51,580	0	(661,067)
<i>Adjustments primarily involving Usable Capital Receipts</i>					
Sale proceeds on asset disposals	2,192,500	0	0	(2,150,000)	(42,500)
Unattached capital receipts	697,258	0	0	(697,258)	0
Use of UCR to finance new expenditure	0	0	0	336,860	(336,860)
Use of UCR to contribute to cost of disposal [4% maximum]	(12,500)	0	0	12,500	0
Transfer from deferred capital receipts upon receipt of cash	0	0	0	(730,952)	730,952
<i>Adjustments primarily involving the pensions reserve</i>					
Reversal of items relating to retirement benefits credited to CI&E	(3,128,000)	0	0	0	3,128,000
Employer's pensions contributions and payments to pensioners in year	2,296,000	0	0	0	(2,296,000)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>					
Differences between CI&E and statutory requirements	144,409	0	0	0	(144,409)
<i>Adjustments primarily involving the Accumulated Absences Account</i>					
Amount by which officer remuneration in the CI&E on an accruals basis is different to the amounts chargeable under statutory requirements	18,849	0	0	0	(18,849)
Total adjustments:	84,071	0	51,580	(3,078,060)	2,942,410

Adjustments between accounting basis and funding basis under regulations 2013/14

2013/14 Adjustments between accounting basis and funding under regulations	Usable Reserves				Unusable Reserves £
	General Fund Balance £	Earmarked Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation and amortisation	(1,278,742)	0	0	0	1,278,742
Revaluation losses on PPE	(362,900)	0	0	0	362,900
Movements in the market value of Investment Properties	(161,500)	0	0	0	161,500
Application of grants credited to revenue	692,150	0	0	0	(692,150)
Revenue expenditure funded from capital under statute	(1,351,857)	0	0	0	1,351,857
Writing-out the asset NBV on disposal of fixed assets	(3,087,537)	0	0	0	3,087,537
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	0	0	0	0	0
Capital expenditure charged against the General Fund	0	500,000	0	0	(500,000)
Adjustments primarily involving the Capital Grants Unapplied Account					
Grants credited from the CI&E statement	7,131	0	(7,131)	0	0
Application of grants to CAA	0	0	123,666	0	(123,666)
Adjustments primarily involving Usable Capital Receipts					
Sale proceeds on asset disposals	590,778	0	0	0	(590,778)
Unattached capital receipts	728,212	0	0	(728,212)	0
Use of UCR to finance new expenditure	0	0	0	1,551,007	(1,551,007)
Use of UCR to contribute to cost of disposal [4% maximum]	(9,408)	0	0	9,408	0
UCR to finance payments to Capital Pooling	(396)	0	0	396	0
Transfer from deferred capital receipts upon receipt of cash	0	0	0	(47,329)	47,329
Adjustments primarily involving the pensions reserve					
Reversal of items relating to retirement benefits credited to CI&E	(501,000)	0	0	0	501,000
Adjustments primarily involving the Collection Fund Adjustment Account					
Differences between CI&E and statutory requirements	(659,235)	0	0	0	659,235
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration in the CI&E on an accruals basis is different to the amounts chargeable under statutory requirements	(4,982)	0	0	0	4,982
Total adjustments:	(5,399,287)	500,000	116,535	785,271	3,997,481

8. Transfers to and from earmarked reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves. Earmarked reserves are used to provide financing for future specific expenditure or projects. Movements in earmarked reserves during the year were as follows:

2013/14

Earmarked reserves	Opening Balance	Transfers	Expenditure	Income	Closing balance
Council Priorities	(3,485,109)	0	1,004,020	0	(2,481,089)
Other earmarked reserves	(1,418,242)	0	151,358	(448,160)	(1,715,044)
	(4,903,351)	0	1,155,378	(448,160)	(4,196,133)

2014/15

Earmarked reserves	Opening Balance	Transfers	Expenditure	Income	Closing balance
Council Priorities	(2,481,089)	(142,208)	482,255	(41,401)	(2,182,443)
Other earmarked reserves	(1,715,044)	142,208	306,277	(1,352,689)	(2,619,248)
	(4,196,133)	0	788,532	(1,394,090)	(4,801,691)

9. Other operating expenditure

Other Operating Expenditure	2013/14 £	2014/15 £
(Gain) / loss on disposal of fixed assets	2,506,167	(1,479,736)
Unattached capital receipts	(728,212)	(697,258)
Payment to the Government Housing Capital Receipts Pool	396	0
Town and Parish Council support grant	165,198	121,718
Town and Parish Council precepts	2,109,539	2,190,329
Total	4,053,088	135,053

10. Financing and investment income and expenditure

Financing and investment income and expenditure	2013/14 £	2014/15 £
Interest payable and similar charges	0	0
Interest receivable and similar income	(228,450)	(125,026)
Investment property - income and expenditure and changes in asset fair values	(156,159)	(297,575)
Net interest on the net defined benefit liability	1,351,000	1,516,000
Total	966,391	1,093,399

11. Taxation and non-specific grant income

The Council's sources of funding for the year were as follows:

Taxation and non-specific grant income	2013/14 £	2014/15 £
Council tax income	(7,132,030)	(7,183,879)
National non-domestic rates redistribution (NNDR)	(1,644,311)	(1,644,935)
National non-domestic rates safety-net receipt	(14,854)	251,587
Distribution of surplus on the Gloucestershire Business rates Pool	(25,156)	0
Section 31 Grant	(514,743)	(837,332)
National non-domestic rates (surplus)/deficit	656,107	650,874
Revenue Support Grant (RSG)	(2,466,458)	(2,003,593)
Other non-ringfenced government grants	(1,478,544)	(2,054,714)
Capital grants and contributions	(7,131)	0
Total	(12,627,130)	(12,821,992)

12. Property, Plant and Equipment

2013/14	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	PP&E under construction	Total
Asset Cost or Valuation						
Fixed Asset Values as at 31 st March 2013	32,619,500	3,061,830	0	1,445,800	0	37,127,130
Additions	26,402	407,151	0	0	0	433,553
Revaluation increases / (decreases)	618,701	0	0	100,740	0	719,441
Derecognition - disposals	(2,467,000)	(538,093)	0	(142,200)	0	(3,147,293)
Transfers and reclassifications	0	0	0	0	0	0
31st March 2014	30,797,602	2,930,888	0	1,404,340	0	35,132,831

Depreciation						
Accumulated Depreciation 31 st March 2013	(1,814,555)	(2,202,667)	0	(2,432)	0	(4,019,654)
Depreciation charge for year	(738,895)	(323,748)	0	(5,904)	0	(1,068,546)
Depreciation written out on revaluation	1,781,392	0	0	0	0	1,781,392
Derecognition - disposals	257,626	345,880	0	0	0	603,506
Transfers and reclassifications	0	0	0	0	0	0
31st March 2014	(514,432)	(2,180,534)	0	(8,336)	0	(2,703,302)

Net book Value of Assets at:

1st April 2013	30,804,944	859,163	0	1,443,368	0	33,107,476
31st March 2014	30,283,170	750,354	0	1,396,004	0	32,429,529

2014/15	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	PP&E under construction	Total
Asset Cost or Valuation						
Fixed Asset Values as at 31 st March 2014	30,797,602	2,930,888	0	1,404,340	0	35,132,831
Additions	0	308,925	0	0	133,357	442,283
Revaluation increases / (decreases)	18,388,121	209,498	(53,820)	390,210	0	18,934,009
Derecognition - disposals	(381,000)	(609,652)	0	0	0	(990,652)
Transfers and reclassifications	(3,762,855)	0	65,200	(65,200)	0	(3,762,855)
31st March 2015	45,041,868	2,839,659	11,380	1,729,350	133,357	49,755,615

Depreciation						
Accumulated Depreciation 31 st March 2014	(514,432)	(2,180,534)	0	(8,336)	0	(2,703,302)
Depreciation charge for year	(769,430)	(307,453)	0	(5,904)	0	(1,082,787)
Depreciation written out on revaluation	641,256	0	0	7,296	0	648,552
Derecognition - disposals	18,736	567,152	0	0	0	585,888
Transfers and reclassifications	0	0	0	0	0	0
31st March 2015	(623,870)	(1,920,834)	0	(6,944)	0	(2,551,648)

Net book Value of Assets at:

1st April 2014	30,283,170	750,354	0	1,396,004	0	32,429,529
31st March 2015	44,417,998	918,825	11,380	1,722,406	133,358	47,203,966

Asset valuation, amortisation and depreciation

Service areas are charged depreciation to represent the real cost of holding and using non-current assets. The value of an asset (less any residual value) will be written-down on a straight-line basis over the useful economic life of the asset. The following useful lives have been used in the calculation of depreciation and amortisation:

- Operational buildings: 40 years; less any residual land value.
- Non-operation buildings (surplus assets): 40 years; less any residual land value.
- Freehold land is not depreciated.
- Vehicles, plant, furniture and equipment: 4 years
- Intangible ICT licences/software: 4 years

The gross costs of an asset is taken as the asset purchase price (or cost of construction) until the asset is formally revalued.

Capital Commitments

On the 20th March 2015 the Council exchanged contracts for the purchase of a new Environmental Services Depot site. The contract was conditional on planning permission and environmental permits. The agreed purchase price (and therefore the commitment) is in the region of £1,800,000.

Effects of changes in estimates

The Council has not made any changes in its accounting estimates in either the life or depreciation methods of assets during the year.

Revaluations

From 1st April 2009 the Council began a rolling programme to ensure that all land and property was revalued at fair value, over a 5-year period. Subsequent valuations have taken place as part of the rolling programme on an annual basis.

From 2009/10 until 2013/14 the Council's valuations of land and buildings were carried out by Jones Lang LaSalle (formally known as King Sturge LLP).

The 2013/14 and 2014/15 valuations and impairment reviews were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council. Valuations have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and with regard to the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

As part of his work the valuer was given full access to the Council's assets, property records and previous valuation data.

In estimating asset values it has been assumed that:

- The capacity of utility services [electricity, gas, water, mains drainage] are adequate for the future use of the properties
- All assets have planning consent for their existing uses
- Tenancies are not subject to any unusual or onerous restrictions

- No contamination exists in relation to property assets [land and buildings] sufficient enough to affect value.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Investments Properties	2013/14 £	2014/15 £
Rental income from investment property	(630,365)	(566,430)
Net (gains)/losses from fair value adjustments in asset values	161,500	(160,300)
Direct operating expenses arising from investment property	312,706	429,156
Total	(156,159)	(297,574)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The 2014/15 Investment Property valuations were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (as outlined in Note 12 above).

All changes in fair-value of investment properties are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The following table summarises the movement in the fair value of investment properties over the year:

	2013/14 £	2014/15 £
Opening balance – 1 st April	5,761,999	5,185,499
<u>Additions</u>		
Purchases	0	0
Construction	0	0
<u>Disposals</u>		
Disposals of Investment Property	(415,000)	(295,500)
<u>Other adjustments</u>		
Assets reclassified to/(from) Investment Property	0	0
Revaluations (downwards)/upwards [changes in market value]	(161,500)	160,300
Closing balance – 31st March	5,185,499	5,050,299

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software only, as the Authority has no internally generated software.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to all software assets used by the Authority are 4 years.

Movement in Intangible Fixed Assets

Intangible Assets	2013/14	2014/15
Balance at start of the year – 1 st April		
- Gross carrying amounts	1,093,806	868,170
- Accumulated amortisation	(500,320)	(374,303)
Net carrying amount at start of year – 1st April	593,486	493,867
<u>Movements in the year:</u>		
Purchases and additions	93,939	41,575
Amortisation for the period	(193,558)	(172,589)
Asset derecognition – change in gross value	(319,576)	(32,403)
Asset derecognition – change in accumulated depreciation	319,576	32,403
Net carrying amount at end of year	493,867	362,853
Comprising:		
- Gross carrying amounts	868,170	877,342
- Accumulated amortisation	(374,303)	(514,489)
	493,867	362,853

Intangible assets represent the Authority's purchase of software and software licences. The Income and Expenditure Account is charged with the cost of this software on a straight-line basis over 4 years.

When software is fully depreciated and deemed to be no longer providing benefit to the Authority the software cost and accumulated depreciation balances are derecognised and removed from the balance sheet.

15. Investments

Investments are categorised as either 'long term' or 'short-term', depending upon the point at which the investment is due to mature. Those investments which are due to mature within 12 months of the balance sheet date are classified as short-term investments; those due to mature at a date of more than 12 months from the balance sheet are treated as long-term investments.

The Council's investments at the balance sheet have been allocated as follows:

	31 st March 2014 £	31 st March 2015 £
<u>Long-term</u>		
Long-term investments	0	0
	0	0
<u>Short-term</u>		
Short-term investments	12,465,846	13,975,011
Accrued investment interest	83,435	79,823
	12,549,281	14,054,834

Short-term investments relate to balances deposited for periods of less than one year (or those investments due to mature and therefore repayable to the Council within the coming 12-months). At 31st March the Council had a further £7,111,797 (£4,674,523 in 2013/14) of investments in bank 'call accounts' and other instant access investment types. These balances have been included as 'cash equivalents' on the balance sheet due to the highly liquid nature of the investments.

16. Inventories [stock]

	31 st March 2014 £	31 st March 2015 £
Opening balance	44,633	12,908
Movement in the year – increase/(decrease)	(31,725)	16,173
Closing balance	12,908	29,081

17. Construction contracts and assets under construction

The Council has made an initial deposit toward the purchase of a new Environmental Service depot site. This payment (of £34,132) has been classified as an 'asset under construction' as the payment is only part of the overall price for the site.

Additional enhancement and refurbishment works were underway at the Council-owned Forum Car Park at the balance sheet date. £99,227 of works were classified as 'assets under construction' at the balance sheet date. These works will be completed in 2015/16, at which

point they will be treated as capital additions and the car park formally revalued in its enhanced condition.

18. Debtors

Debtors	31st March 2014 £	31st March 2015 £
Government Departments	357,537	493,751
Other local authorities	306,282	1,001,466
Collection Fund debtors (CDC share)	315,279	347,646
Housing benefit recovery	597,900	835,783
Sundry Debtors outstanding	1,927,622	1,500,541
Other debtors	346,170	5,482
Bromford Housing Association RTB receipts	675,179	644,414
Prepayments	156,919	103,914
	4,682,888	4,932,998
<u>Less bad debt provisions:</u>		
Council tax payers (CDC share)	(43,672)	(47,888)
Housing benefit recovery	(448,425)	(668,627)
Sundry Debtors	(579,044)	(577,298)
	3,611,747	3,639,185

Long-term Debtors	31st March 2014 £	31st March 2015 £
Starter Home initiative loans	160,800	160,800
Council mortgages & Housing Act Advances	23,841	23,479
Housing Associations	29,890	0
Charities	87,551	87,551
Housing Improvement Loans	79,719	79,719
Housing Strategy Loans	11,692	11,692
Finance leases – principal outstanding	1,842,839	1,522,673
Local Authority Mortgage Scheme	1,000,000	1,000,000
Employee car loans [#]	20,562	28,368
Loan to 'Friends of the Cotswolds'	353,710	340,798
	3,610,604	3,255,080

[#] The total balance of Car loans debtors is being shown in long-term debtors. The element of loans due for repayment with 12-months has not been shown as current debtors. The figures in question are not material to the accuracy of the accounts.

19. Cash and Cash Equivalents

At 31st March, the Council held the following cash and cash equivalent balances:

Cash and cash-equivalents	31 st March 2014 £	31 st March 2015 £
Cash and bank current accounts	(359,364)	16,896
Short-term liquid investments (money market funds, call accounts, and other highly-liquid investments that can be easily converted to cash if required)	4,674,523	7,111,797
	4,315,159	7,128,693

20. Assets held for sale

Assets Held for Sale	Current		Non-Current	
	31 March 2014 £	31 March 2015 £	31 March 2014 £	31 March 2015 £
Balance at 1 st April	631,875	486,487	0	0
Assets classified as held for sale during year:				
- Property, Plant & Equipment	0	3,762,855	0	0
Depreciation charge for year	(16,638)	(13,513)	0	0
Revaluation of assets [upwards/(downwards)]	0	0	0	0
Depreciation written-out upon revaluation	6,250	0	0	0
Disposals during year [sales]	(135,000)	0	0	0
Balance outstanding at end of year	486,487	4,235,829	0	0

21. Creditors and receipts in advance

	31 st March 2014 £	31 st March 2015 £
<u>Creditors</u>		
Sundry Creditors	1,049,910	1,387,154
Other local authorities	323,875	306,635
Balances on the collection fund	843,718	990,876
Government departments	825,703	884,911
Section 106 balances	862,566	733,207
Total	3,905,772	4,302,783

	31 st March 2014 £	31st March 2015 £
<u>Receipts in advance</u>		
Council tax payers	148,884	170,266
Other income received in advance	831,440	671,991
Total	980,324	842,257
Total of creditors and receipts in advance	4,886,096	5,145,040

22. Provisions

Provisions held at the balance sheet date are as follows:

	Property searches litigation £	Provision for early retirements £	Exchange rate fluctuations provision £	Business rates appeals provision £	Total provisions £
Opening provision 1 st April	0	11,127	29,618	467,077	507,822
Additional/new provisions made	99,323	0	150,000	508,995	758,318
Use of provision in year	0	(6,584)	(29,618)	(144,971)	(181,173)
Provisions returned to revenue	0	(4,543)	0	0	(4,543)
Closing provision 31 st March	99,323	0	150,000	831,101	1,080,424

Property Searches Litigation

In 2013/14 the Council was named (along with all other English local authorities) in a litigation case regarding the charging of property searches. The Council has established a provision for its likely repayment of search fees.

Exchange rate fluctuations

Provision has been made for possible exchange rate losses which may result from adverse currency movements in respect of the Council's former investment with Glitnir bank which is held in Icelandic Krona.

Business Rates (NNDR) appeals

In 2013/14 new accounting arrangements for National Non-Domestic Rates (NNDR) were introduced. A provision has been set aside for the potential cost to the Council in relation to outstanding appeals against property valuations.

23. Usable reserves

Movements in the Authority's usable reserves, and a description of the purpose of each of the usable reserves, are presented in the Movement in Reserves Statement and Note 7 to the accounts.

24. Unusable reserves

Summary of Unusable Reserves	31st March 2014 £	31st March 2015 £
Revaluation Reserve	7,948,176	27,302,440
Capital Adjustment Account	31,900,780	30,804,082
Pension Reserve	(35,608,000)	(43,569,000)
Deferred Capital Receipts Reserve	2,655,409	1,966,958
Collection Fund Adjustment Account	(588,020)	(443,612)
Accumulated Absences Account	(127,028)	(108,179)
Available for sale financial instruments reserve	33,784	44,696
Total Unusable Reserves	6,215,101	15,997,385

24a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	31st March 2014 £	31st March 2015 £
Opening balance - 1 st April	5,639,528	7,948,176
Upward revaluation of assets	2,885,986	20,065,401
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(22,253)	(222,620)
Balances written out on disposals	(437,027)	(290,599)
Historic cost depreciation adjustment	(118,058)	(197,917)
Balance at 31 st March	7,948,176	27,302,440

24b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007 [the date at which the Revaluation Reserve was created to hold such gains].

	31st March 2014 £ (restated)	31st March 2015 £
Opening balance 1 st April	34,721,409	31,900,780
Revenue expenditure funded from capital under statute [REFCUS]	(1,351,857)	(914,860)
Grants applied in the year to fund REFCUS	815,815	661,067
Depreciation	(1,278,742)	(1,268,888)
Movements upon revaluation of non-current assets and IP	(524,400)	(99,920)
Revenue financing of capital expenditure	500,000	250,000
Non-current assets written-out on disposal	(3,087,536)	(409,665)
Revaluation reserve balances transferred to the CAA re. disposals	437,027	0
Historic cost depreciation adjustment	118,058	197,917
Capital expenditure on additions	1,551,006	487,650
Balance as at 31st March	31,900,780	30,804,082

24c. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is designed to absorb the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council has no investments requiring adjusting through the Financial Instruments Adjustment Account.

24d. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or pays any pensions for which it is directly responsible. The negative balance on the Pensions Reserve represents a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	31st March 2014 £	31st March 2015 £
Opening balance – 1 st April	(30,499,000)	(35,608,000)
Actuarial gains or (losses) on pensions assets & liabilities	(4,608,000)	(7,129,000)
Reversal of charges relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(2,563,000)	(3,128,000)
Employer's pension contributions & retirement benefits payable direct to pensioners	2,062,000	2,296,000
Balance at 31 st March	(35,608,000)	(43,569,000)

24e. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	Note	2013/14 £	2014/15 £
Mortgages on sales of Council houses		34,272	23,479
Loans issued – CHYP	1	80,008	80,008
Principal amounts on finance leases		2,187,419	1,522,673
Other deferred receipts		353,710	340,798
Balance on reserve at 31 st March		2,655,409	1,966,958

Note:

- 1 This interest-free loan was approved by Housing Committee on 5th July 2001 and is for a 25-year period.

24f. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2013/14 £	2014/15 £
Balance at 1 st April	71,215	(588,020)
Movement in year	(659,235)	144,408
Balance at 31 st March	(588,020)	(443,612)

24g. Accumulated Absences Adjustment Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year [the cost of the annual leave entitlement still owed by the Council to its employees at 31st March]. The negative figure represents a liability of the Council. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absence Account	2013/14 £	2014/15 £
Balance at 1 st April	(122,046)	(127,028)
Net movement in the year	(4,982)	18,849
Balance at 31 st March	(127,028)	108,179

24h. Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains made by the Council arising from changes in the value of its investments that have quoted marked prices or otherwise do not have fixed or determined payments. The balance is reduced when investments with accumulated gains are either revalued downwards and the gains are lost, or the investments are disposed of and the gains are realised.

Available for sale financial instruments reserve	2013/14 £	2014/15 £
Balance at 1 st April	31,328	33,784
Net increase/(decrease) in unrealised gain	2,456	10,912
Balance at 31 st March	33,784	44,696

25. Cash flow statement – operating activities

Cash flows for operating activities include the following:

Cash Flow Statement – Operating Activities	31st March 2014 £000	31st March 2015 £000
Interest received	(228)	(305)
Interest paid	0	0

26. Cash flow statement – investing activities

Cash Flow Statement – Investing Activities	31st March 2014 £000	31st March 2015 £000
Purchase of property, plant and equipment and other capital investment	527	332
Purchase of short-term & long term investments	15,200	20,300
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(338)	(2,590)
Proceeds from short-term & long-term investments	(12,700)	(18,836)
Other receipts from investing activities	(700)	(466)
Net cash flows from investing activities	1,990	(1,259)

27. Cash flow statement – financing activities

Cash Flow Statement – Financing Activities	31st March 2014 £000	31st March 2015 £000
Cash receipts of short-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases	0	0
Repayments of short and long-term borrowings	0	0
Net cash flows from financing activities	0	0

The Council has no borrowing and no finance leases, therefore no transactions falling under the heading of 'financing activities.'

28. Amounts reported for resource allocation decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Authority's Council and Cabinet on the basis of budget reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Services are grouped together by directorate, rather than by service area as prescribed by SERCOP
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- The cost of support services is represented [in Corporate Resources], rather than simply showing a '£0' net cost as the services are recharged out under SERCOP.

The income and expenditure of the Council's directorates for the year, as recorded in budget reports used by Cabinet, Council and Senior Management is as follows:

2014/15	Corporate Management £	Planning & Communities £	Environmental Services £	Corporate Resources £	Other £	Total £
Fees, charges & other service income	(242,330)	(1,982,608)	(5,122,794)	(2,595,779)	(8,715)	(9,952,227)
Government grants	0	0	0	(20,419,035)	0	(20,419,035)
Total Income	(242,330)	(1,982,608)	(5,122,794)	(23,014,814)	(8,715)	(30,371,262)
Employee expenses	858,397	2,161,341	1,736,118	2,394,335	0	7,150,190
Direct Expenses	916,232	1,158,870	6,596,102	23,018,316	25,955	31,715,474
Indirect Expenditure	1,998,101	2,224,892	1,616,080	1,834,570	0	7,673,643
Less Recharges	(594,768)	(75,709)	(957,306)	(3,712,662)	0	(5,340,445)
Total operating expenses	3,177,961	5,469,394	8,990,994	23,534,558	25,955	41,198,862
Cost of Services	2,935,631	3,486,786	3,868,200	519,744	17,240	10,827,601

2013/14	Corporate Management £	Planning & Communities £	Environmental Services £	Corporate Resources £	Other 0 £	Total 0 £
Fees, charges & other service income	(174,894)	(2,680,874)	(4,823,014)	(2,151,730)	(1,507,124)	(11,337,636)
Government grants	0	0	0	(20,594,380)	(230,009)	(20,824,389)
Total Income	(174,894)	(2,680,874)	(4,823,014)	(22,746,110)	(1,737,132)	(32,162,024)
Employee expenses	707,262	2,683,307	1,806,779	2,244,471	0	7,441,820
Direct Expenses	1,140,327	2,373,518	6,544,772	22,389,950	56,298	32,504,865
Indirect Expenditure	1,474,679	2,465,840	1,483,991	1,538,230	0	6,962,739
Less Recharges	(521,348)	(68,197)	(934,440)	(3,421,704)	0	(4,945,688)
Total operating expenses	2,800,919	7,454,469	8,901,102	22,750,947	56,298	41,963,735
Cost of Services	2,626,025	4,773,594	4,078,088	4,837	(1,680,834)	9,801,711

Reconciliation of directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation aims to show how the figures displayed in the analysis of directorate income and expenditure relates to the amounts included in the Comprehensive Income & Expenditure Statement.

	2013/14 £	2014/15 £
Net expenditure in directorate management reports	9,801,711	10,827,601
Adjustments as part of the Audit	50,000	-
Plus any amounts not reported to management	2,289,326	546,743
Plus amount not reported to management re. IAS19	(601,000)	(684,000)
Less those amounts reported to management which are not included in the CI&E cost of services	647,502	141,661
Cost of services continuing operations in the CI&E statement	12,187,539	10,832,005

Reconciliation to subjective analysis

This reconciliation aims to show how the figures presented in the analysis of directorate income and expenditure relates to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income & Expenditure statement.

2014/15	Service Analysis £	Not reported to mgt £	Not in the NCS £	Net Cost of Services £	Corporate Amounts £	Total 0 £
Reconciliation to subjective analysis of total income & expenditure						
Fees, charges & other service income	(10,112,527)	0	0	(10,112,527)	0	(10,112,527)
Interest and investment income	0	0	391,872	391,872	(422,600)	(30,728)
Income from council tax	0	0	0	0	(7,183,879)	(7,183,879)
Government grants and contributions	(20,419,035)	305,372	0	(20,113,663)	(6,288,987)	(26,402,650)
Investment property income and other capital receipts	160,300	0	(160,300)	0	(697,258)	(697,258)
Total Income	(30,371,262)	305,372	231,572	(29,834,317)	(14,592,724)	(44,427,041)
Employee expenses	7,150,190	(702,849)	0	6,447,342	1,516,000	7,963,342
Other service expenses	28,708,227	0	(121,718)	28,586,509	0	28,586,509
Support Service recharges	5,340,445	0	0	5,340,445	0	5,340,445
Depreciation, amortisation and impairment	0	260,220	0	260,220	0	260,220
NDR Deficit	0	0	0	0	650,874	650,874
Interest Payments and related costs	0	0	31,807	31,807	0	31,807
Precepts & Levies	0	0	0	0	2,312,047	2,312,047
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0
Gain on asset disposals	0	0	0	0	(1,479,736)	(1,479,736)
Total operating expenses	41,198,862	(442,629)	(89,911)	40,666,323	2,999,185	43,665,508
(Surplus) or deficit on the provision of services	10,827,601	(137,257)	141,661	10,832,005	(11,593,539)	(761,534)

2013/14	Service Analysis £	Post-Audit adjustments £	Not reported to mgt £	Not to be in NCS £	Net Cost of Services £	Corporate Amounts £	Total 0 £
Reconciliation to subjective analysis of total income & expenditure							
Fees, charges & other service income	(10,817,270)	50,000	0	0	(10,767,270)	0	(10,767,270)
Interest and investment income	(520,366)	0	0	390,284	(130,082)	(390,284)	(520,366)
Income from council tax	0	0	0	0	0	(7,132,030)	(7,132,030)
Government grants and contributions	(20,824,389)	0	0	0	(20,824,389)	(6,144,076)	(26,968,465)
Investment property income and other capital receipts	0	0	0	0	0	(735,343)	(735,343)
Total Income	(32,162,024)	50,000	0	390,284	(31,721,740)	(14,401,733)	(46,123,473)
Employee expenses	7,441,820	0	(596,018)	0	6,845,802	1,351,000	8,196,802
Other service expenses	29,576,227	0	345,895	257,218	30,179,340	0	30,179,340
Support Service recharges	4,945,688	0	0	0	4,945,688	0	4,945,688
Depreciation, amortisation and impairment	0	0	1,938,449	0	1,938,449	0	1,938,449
NDR Deficit	0	0	0	0	0	656,107	656,107
Interest Payments and exchange rate loss	0	0	0	0	0	0	0
Precepts & Levies	0	0	0	0	0	2,274,737	2,274,737
Payments to Housing Capital Receipts Pool	0	0	0	0	0	396	396
Loss on asset disposals	0	0	0	0	0	2,511,842	2,511,842
Total operating expenses	41,963,735	0	1,688,326	257,218	43,909,279	6,794,082	50,703,361
(Surplus) or deficit on the provision of services	9,801,711	50,000	1,688,326	647,502	12,187,539	(7,607,651)	4,579,888

29. Acquired, discontinued and transferred operations

No significant operations have been acquired, discontinued or transferred during the year.

30. Trading operations

The Council does not operate any trading operations that require disclosure within the financial statements. Transactions relating to the Building Control function are included in the Comprehensive Income and Expenditure Account as part of the 'planning services' line.

31. Agency Services

Council Tax and NNDR

The Code requires the collection of Council Tax to be accounted for on an agency basis. The collection of Council Tax is in substance an agency agreement as the cash collected by the Council as billing authority from Council Tax payers belongs proportionately to the billing authority and the major preceptors. The accounts include creditor balances for the money owed by the Council [as billing authority] to Gloucestershire County Council and Gloucestershire Police and Crime Commissioner as the cash paid to each authority in the year is different to amounts collected.

Business Rates income is collection on behalf of central government. However, 50% is paid over to central government and 50% is retained locally. Of the remaining 50% local share, the Council retains 40% and 10% is paid across to Gloucestershire County Council

Details of the amounts of Council Tax and Business Rates collected are disclosed within the Collection Fund statement and associated notes. The Council operates no other schemes on an agency basis.

32. Material items of income and expense

All material items of income and expenditure have been suitably disclosed in the Statement of Accounts. For information on asset purchases and disposal please see note 12 to the accounts.

33. Long-term liabilities

The Council's long-term liabilities are made up as follows:

	31st March 2014 £	31st March 2015 £
Deficit on the pension fund	35,608,000	43,569,000
	35,608,000	43,569,000

34. Members Allowances

	2013/14 £	2014/15 £
Fixed allowances	253,981	248,469
Expenses	14,769	14,404
Total	268,750	262,873

35. Officer Remuneration

The number of employees whose remuneration (excluding employers' contributions in respect of National Insurance Contributions and Superannuation Contributions) exceeded £50,000 during the year is listed in the table below. This table includes all officers (including Senior Officers) employed by the Council.

Salary banding	2013/14 Officers	2014/15 Officers
£50,000 to £54,999	3	2
£55,000 to £59,999	3	3
£60,000 to £64,999	4	2
£65,000 to £69,999	1	1
£70,000 to £74,999	0	1
£75,000 to £79,999	1	0
£80,000 to £84,999	1	1
£85,000 to £89,999	1	0
£90,000 to £94,999	0	1

The Council is currently sharing a number of senior officers with West Oxfordshire District Council. Officers employed by West Oxfordshire District Council are not included in the above figures.

Senior Employees

Under the requirements of Statutory Instrument 2009 no. 3322 the Council is required to disclose information on the remuneration of its 'senior employees'. The Council's senior employees are those represented on the Council's Corporate Team and those Officers with a statutory responsibility.

The Council's Chief Executive and Strategic Director (Corporate Resources) are both employees of West Oxfordshire District Council. They are seconded for 50% of their time to Cotswold District Council. The figures included in the tables below have been obtained from West Oxfordshire District Council and represent the full salary, allowances and Pension Costs incurred by West Oxfordshire (as the employer).

The Council's Strategic Director (Environment) is also in a shared post, however, the Director is employed by Cotswold District Council and is seconded to West Oxfordshire for 50% of his time. The figure shown below is the full salary cost incurred by the Council before any income received for his secondment.

Chief Executive (& Head of Paid Service) ¹	2013/14 £	2014/15 £
Salary and allowances	116,691	117,200
Pension contributions made by the Council in respect of the Officer	16,865	16,920
Other benefits not covered above	5,336	5,633

Strategic Director – Environment ¹	2013/14 £	2014/15 £
Salary and allowances	88,752	91,842
Pension contributions made by the Council in respect of the Officer	12,603	12,678
Other benefits not covered above	0	0

Strategic Director – Community Services	2013/14 £	2014/15 £
Salary and allowances	75,813	81,008
Pension contributions made by the Council in respect of the Officer	10,765	10,819
Other benefits not covered above	6,702	230

Strategic Director – Corporate Resources ¹	2013/14 £	2014/15 £
Salary and allowances	84,010	90,947
Pension contributions made by the Council in respect of the Officer	11,904	12,328
Other benefits not covered above	3,224	123

Head of Legal & Property Services (Monitoring Officer)	2013/14 £	2014/15 £
Salary and allowances	57,504	62,549
Pension contributions made by the Council in respect of the Officer	8,166	8,818
Other benefits not covered above	3,941	4,860

Head of GO Shared Services (Chief Finance Officer)	2013/14 £	2014/15 £
Salary and allowances	67,729	69,349
Pension contributions made by the Council in respect of the Officer	9,618	9,847
Other benefits not covered above	0	0

Notes:

1. On a monthly basis the cost of any shared officers is re-charged between Cotswold District Council and West Oxfordshire District Council, between the employing authority and the authority buying the service.

Exit Packages

The number and cost of exit packages [redundancies] at the Council during the year, by £20,000-band, was as follows:

Individual exit package redundancy band (£)	Exit packages – 2013/14		Exit packages – 2014/15	
	Number	Cost in £	Number	Cost in £
0 – 19,999	6	43,289	5	33,692
20,000 – 39,999	1	25,657	0	0
40,000 – 59,999	0	0	0	0
60,000 – 79,999	0	0	0	0
Total	7	68,946	5	33,692

In April 2015 the Council's Strategic Director (Community Services) was made redundant. The costs and disclosures in relation to the redundancy will be included in the 2015/16 Statement of Accounts.

36. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

The Council's appointed auditor is Grant Thornton.

	2013/14 £	2014/15 £
External audit services carried out by the appointed auditor	58,938	59,838
Statutory inspection	0	0
Certification of grant claims and returns	6,600	5,870
Total	65,538	65,708

In addition to the statutory audit fees listed above, the Council paid £2,200 to the Audit Commission in respect of National Fraud Initiative (NFI) works.

37. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Categories of Financial Instruments	Long Term		Current	
	31 March 2014 £	31 March 2015 £	31 March 2014 £	31 March 2015 £
Investments				
Loans and receivables [cash equivalents]	0	0	4,674,523	7,111,797
Loans and receivables [investments]	0	0	10,047,228	11,563,437
Available-for-sale financial assets	0	0	2,035,872	2,044,696
Total investments	0	0	16,757,623	20,719,930
Cash				
Loans and receivables [cash]	0	0	(375,479)	(16,896)
Total cash	0	0	(375,479)	(16,896)
Debtors				
Loans and receivables	3,610,604	3,255,080	2,907,739	2,558,258
Total Debtors	3,610,604	3,255,080	2,907,739	2,558,258
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Total Borrowings	0	0	0	0
Other Long Term Liabilities				
Finance lease liabilities	0	0	0	0
Total Long Term Liabilities	0	0	0	0
Creditors				
Financial liabilities at amortised cost	0	0	(2,353,897)	(2,047,052)
Non-financial instrument creditor balances	0	0	(2,532,199)	(3,097,988)
Total of Creditors on the balance sheet	0	0	(4,886,096)	(5,145,040)

Items of income, expense, gains or losses

At 31st March the Council has two investments which were accounted for as available for sale financial assets. At the balance sheet date the assets showed a net unrealised gain of £44,696, based upon the balance sheet date valuation (£33,784 at 31st March 2014). The movement in the year (of £10,912) is reported as an 'unrealised gain' in the *Other Income & Expenditure* section of the Comprehensive Income & Expenditure Account.

Fair Values of Assets and Liabilities

Financial liabilities, financial assets (represented by loans and receivables) and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining terms of the instruments.

As the majority of the assets and liabilities are instruments which will mature in the coming 12-months, carrying amount is assumed to be approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values loans and receivables

Available for sale assets are carried on the balance sheet at their fair value. These values are based upon public price quotations where there is an active market for the instrument.

At the balance sheet date the Council had two investments which were classified as available for sale assets.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Soft Loans

Soft loans are loans made at below the market rate of interest. Loans are made to community groups or for reasons which support the policies and priorities of the Council. The classes of loans the Council has made (at below the market rates of interest) and the balances of the loan at the balance sheet date are as follows:

Type of Loan	31 st March 2014 £	31 st March 2015 £
Housing Improvement Loans [0% interest]	79,689	79,719
CHYP Housing Loan [0% interest]	80,008	80,008
Other loans [BoE base rate + 1%]	11,691	11,691
	171,388	171,418

The Council is currently debt-free and does not have to borrow to finance its activities. Therefore, the notional cost of granting these loans equates to the investment interest which the Council would have made if the balance had been available to invest as part of its other treasury management investing activity.

The average interest from Council treasury investments has fallen to below 1%. The amount of interest forgone has therefore not been posted to the Comprehensive Income & Expenditure Account (as per the 'Code') as the amount is not material.

38. Grant Income

The following significant grants and contributions were credited to the Comprehensive Income and Expenditure Statement during the year:

Grant	2013/14 £ [restated]	2014/15 £
<u>Revenue Grants credited to Taxation and Non-Specific Grant Income:</u>		
Revenue Support Grant (RSG)	2,466,458	2,003,593
Burdens Grants	16,402	52,710
Council Tax freeze grant	54,612	52,173
New homes bonus grant	1,388,080	1,949,831
Section 31 NDR Compensation Grant & Tariff	529,597	837,332
Total	4,455,149	4,895,693
<u>Capital Grants credited to the Comprehensive Income & Expenditure Statement</u>		
Disabled Facilities Grant	427,721	422,396
Environment Agency/Gloucestershire County Council capital grants and contributions [re. Flooding and land drainage schemes]	*253,217	187,092
Section 106 income credited to the CI&ES	20,389	277,911
Other grants	0	0
Total	701,327	887,399
<u>Significant revenue grants credited within the cost of services</u>		
Housing benefit subsidy grant	19,990,792	20,018,994
Benefit admin grant	421,176	389,451
New burdens grant	40,375	10,590
Total	20,452,343	20,419,035

* Capital grants and contributions from the Environment Agency and Gloucestershire County Council toward flooding and land drainage schemes were not disclosed in 2013/14. The table has been updated to show these.

The Authority has received a number of grants and contributions and donations that have yet to be recognised as income, as they have conditions attached to them that will require the grant to be returned, should the conditions not be fulfilled. The balances at 31st March are as follows:

Grant	31st March 2014 £	31st March 2015 £
<u>Capital Grants held as receipts in advance:</u>		
Environment agency grant [for specific Land drainage works]	48,425	48,425
Other grant receipts in advance	262,699	248,667
	311,124	297,092

39. Related Parties

The Authority is required to disclose material transactions with related parties – i.e. bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant element of the Council's funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (eg council tax bills, housing benefits). Details of any significant grants received in the year are listed under note 38 'Grant Income'.

Members of the Council

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is disclosed in Note 34 to these accounts.

Upon their election to serve the authority all Members of the Council are required to complete a declaration of Members' interests form. The form requires any conflicting or relevant outside interests to be declared. If at any point a Council decision is required which impacts upon an individual or an organisation which they have an interest in, the Member is required to leave the Council chamber for the duration of the debate and abstain from the decision making process [voting]. The Register of Members' Interest is open to public inspection at the Council's Trinity Road offices during office hours.

In addition to being District Council Members, as at 31st March 2015 four of the Council's Members are also Members of Gloucestershire County Council (four as at 31st March 2014). This number includes the Leader of Cotswold District Council, Cllr. Stowe.

Officers

By virtue of the Officer Code of Conduct, employees of the Council are required to declare any relationship with individuals, organisations or companies that might prejudice, or could be viewed as influencing, their professional judgement. Senior officers and officers within positions of influence within the Council are required to complete a standard "Register of Officers' Interests" Declaration Form. The declaration requests details on any interests officers may have within the District and any external bodies to which they belong which may transact with the Council. Signed declarations are held even where no conflicts of interest have been reported.

Completed forms are held by the Monitoring Officer, as part of a Register of Officers' Declarations of Interest. There were no declarations that required further disclosure in this statement of accounts.

West Oxfordshire District Council

Cotswold District Council shares a number of officers with West Oxfordshire Council under a joint working relationship. The senior officers working in a shared capacity as at 31st March are as follows:

Shared post:	Officer is employed by:
Chief Executive Officer	West Oxfordshire District Council
Strategic Director – Resources	West Oxfordshire District Council
Strategic Director – Environment	Cotswold District Council
Head of Revenues and Benefits	West Oxfordshire District Council
Head of Environmental Services	Cotswold District Council
Head of Business Improvement and Change	West Oxfordshire District Council
Head of Communications and Reception Services	Cotswold District Council
Head of Leisure and Tourism	West Oxfordshire District Council
Head of Public Protection	West Oxfordshire District Council

In addition to those listed above, there is a number of additional operational staff which the Council shares in a bid to boost efficiency and reduce costs. Each shared officer has one 'parent' Council who employ them (and deal with all employment issues). The employing Council then bills the cost of the employee to the corresponding Council for any work done.

Although the officers named above are in senior positions, and have influence over operational activities, decisions on overall Council policy and the strategic direction of the Authority is still set by the Cabinet and Council.

Entities controlled or significantly influenced by the Authority

Ubico Ltd was formed by Cheltenham Borough Council and Cotswold District Council to deliver a range of integrated environmental services including household and commercial refuse collection, recycling, street cleansing and grounds maintenance. The Council has a 50% share in Ubico Ltd.

The Council's Strategic Director (Environment), Mr. R. Young, holds the position of non-executive Director on the board of Ubico Ltd.

At 31st March the following balances remained outstanding between the Council and Ubico Ltd:

Transactions outstanding at 31 st March:	31 st March 2014 [restated] £	31 st March 2015 £
Amounts owed to the Council by Ubico [Debtors]	0	
Amounts owed by the Council to Ubico [Creditors]	(66,795)	(224,829)
Net debtor/(creditor) owed at year end:	(66,795)	(224,829)

Disclosures on the relationship with Ubico are included within the Group Accounts section of this statement.

Other Public Bodies

As a council tax billing authority the Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and the Town and Parish Council's within the district. Precepts for the County Council and Police Authority are shown within the Collection Fund – Town and Parish precepts are shown in the Comprehensive Income & Expenditure Account.

40. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2013/14 £	2014/15 £
Capital Investment		
Property, Plant & Equipment	433,553	308,923
Assets under construction	0	133,359
Investment Properties	0	0
Intangible Assets	93,939	41,575
Local Authority Mortgage Scheme	1,000,000	0
Loans advanced (funded by capital resources)	14,853	0
Revenue Expenditure Funded from Capital under Statute	1,351,857	914,860
	2,894,202	1,398,718
Sources of Finance		
Capital receipts	1,578,387	487,650
Disabled facilities and decent homes grant funding	551,387	473,301
Other grants and external contributions	264,428	187,767
Earmarked reserves	500,000	0
Direct revenue contributions	0	250,000
Total financing of fixed assets	2,894,202	1,398,718

Capital Financing Requirement	2013/14 £	2014/15 £
Opening Capital Financing Requirement – 1 st April	0	0
Movement in year	0	0
Closing Capital Finance Requirement – 31 st March	0	0

41. Leases

The Council as a lessee [obtaining assets under a leasing arrangement]

Finance Leases

The Council has no assets acquired under finance lease arrangements.

Operating Leases

The Authority has entered into a number of operating leases. The minimum lease payments payable on these operating leases in future years are as follows:

	31 st March 2014 £	31 st March 2015 £
Not later than one year	99,115	83,313
Later than one year & not later than five years	156,153	136,216
Later than five years	32,850	32,400
Total	288,118	251,929

Expenditure charged to the Cost of Services during the year was as follows:

	2013/14 £	2014/15 £
Lease payments	65,778	53,768

Authority as Lessor [leasing assets out]

Finance Leases

The Authority has three properties which it accounts for as finance leases and a number of Waste Collection and Recycling vehicles. The three properties are commercial properties [shops/offices] located in the centre of Cirencester and have been leased out for periods of 99, 125 and 125 years respectively. Although the properties will return to the Council at the end of the lease, the balance of 'risks and rewards' of ownership, the length of the lease, and the sum of rentals receivable require the properties to be accounted for as Finance Leases. In addition to the property assets the Council leases a number of Waste Collection and recycling vehicles to Ubico Ltd.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the asset and finance income that will be earned by the Authority for the period while the debt remains outstanding.

	31 st March 2014 £	31 st March 2015 £
Present value of principal payments outstanding on non-current assets	1,842,826	1,884,249
Unearned finance income	2,995,339	2,966,877
Unguaranteed residual value of property/assets	0	0
Gross investment in the lease	4,838,165	4,851,126

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in the lease		Minimum lease payments (excl. int)	
	31 st March 2014 £	31 st March 2015 £	31 st March 2014 £	31 st March 2015 £
Not later than one year	420,538	422,522	362,666	309,130
Later than one year and not later than five years	1,128,233	1,159,735	940,028	741,516
Later than five years	3,289,394	3,268,869	540,132	472,013
	4,838,165	4,851,126	1,842,826	1,522,659

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 the Council received £86,350 in contingent rents (£84,000 2013/14).

The Council has not set-aside an allowance for uncollectable debts in relation to its finance leases. Any outstanding debts would be accounted for within the Sundry Debtors bad-debt provision.

Operating Leases

The Authority leases out property under operating leases to generate revenue on its investment properties and surplus assets that are suitable for rental.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2014 £	31 March 2015 £
Not later than one year	408,001	408,001
Later than one year & not later than five years	1,294,116	1,294,116
Later than five years	1,676,943	1,365,068
Total	3,379,060	3,067,185

The minimum lease payments receivable do not include rents that are contingent on events taking place after the balance sheet date.

42. Private Finance Initiatives and Similar Contracts

The Council has no PFI or contracts with similar obligations.

43. Impairment Losses

Details of any impairment losses accounted for in the year are detailed under Note 12 on Property, Plant and Equipment. No impairment reversals were credited to the Comprehensive Income & Expenditure Account during the year.

44. Capitalisation of borrowing costs

The Council currently has no requirement to borrow, therefore had no borrowing costs qualifying for capitalisation.

45. Termination Benefits

In April 2015 the Council's Strategic Director (Community Services) was made redundant. The costs and disclosures in relation to the redundancy will be included in the 2015/16 Statement of Accounts.

At the balance sheet date there were no additional plans in place for officer early retirements or the terminations of contracts. For details of exit packages paid during the year please refer to Note 35 on Officer Remuneration.

46. Pension Schemes accounted for as defined contribution

The Council does not participate in any defined contribution pension schemes. Full details of the Council's pension fund involvement is disclosed under note 47 to the accounts (below).

47. Defined benefit pension scheme

The information in these retirement benefit notes are taken from the Actuary's report on the Pension Fund, produced by Hymans Robertson LLP. Although technical in nature, the Council is statutorily obliged to include the information in the notes to the accounts.

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Cotswold District Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority.

The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council makes to council tax is based upon the actual cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (MiRS).

The following transactions have been charged to the Comprehensive Income & Expenditure account and General Fund Balance during the year:

Comprehensive Income and Expenditure Statement	2013/14 £000	2014/15 £000
<u>Cost of Services:</u>		
Service cost comprising:		
Current service cost	1,461	1,607
Past service costs	114	5
(Gain)/loss from settlements	(363)	0
 <u>Financing and Investment Income and Expenditure:</u>		
Net Interest Expense	1,351	1,516
 Total Post-Employment Benefits charged to the Surplus or Deficit on the provision of services	 2,563	 3,128
 Other Post-Employment benefits charged to the CIES		
<u>Re-measurement of the net defined benefit liability, comprising:</u>		
Return on plan assets (excluding the amount included in the net interest expense)	(4,326)	(5,196)
Actuarial gains and losses arising on changes in demographic assumptions	1,584	0
Actuarial gains and losses arising on changes in financial assumptions	1,804	13,085
Other experience	5,546	(760)
 Total Post-Employment benefits charged to the CIES	 4,608	 7,129

Movement in Reserves Statement (MiRS)	2013/14 £000	2014/15 £000
Reversal of net changes made to the Surplus or deficit on the Provision of Services for Post-Employment benefits in accordance with the Code	(2,563)	(3,128)
Actual amount charges against the General Fund Balance for pensions in the year:		
Employers contributions payable to the scheme	2,062	2,296

Assets and liabilities in relation to retirement benefits

Pension Assets and Liabilities recognised in the Balance Sheet	2013/14 £000	2014/15 £000
Present value of the defined benefit obligation [funded]	(82,819)	(98,020)
Present value of unfunded obligations	(2,686)	(2,886)
Fair Value of plan assets	49,896	57,337
Sub total	(35,608)	(43,569)
Other movements in the liability	-	
Net liability arising from defined benefit obligation	(35,608)	(43,569)

Reconciliation of the fair value of the scheme assets:	2013/14	2014/15
	£'000	£'000
Opening balance – 1st April	45,472	49,896
Interest Income	1,997	2,146
Service cost – effect of settlements	(1,759)	0
Remeasurement gain/(loss):		
Return on plan assets, excluding amounts in net interest	4,326	5,196
Other changes	0	0
Contributions by the employer	1,936	2,166
Contributions in respect of unfunded benefits	126	130
Contributions by members	423	462
Benefits paid	(2,499)	(2,529)
Unfunded benefits paid	(126)	(130)
Closing balance – 31st March	49,896	57,337

Reconciliation of the present value of scheme liabilities [defined benefit obligation]:	2013/14	2014/15
	£000	£'000
Opening balance – 1st April	(75,971)	(85,504)
Current service cost	(1,461)	(1,607)
Interest cost on defined benefit obligation	(3,348)	(3,662)
Contributions from scheme participants	(423)	(462)
Past service (cost) / gains, including curtailments	(114)	(5)
Remeasurement (losses) / gains:		
Changes in demographic assumptions	(1,584)	0
Changes in financial assumptions	(1,804)	(13,085)
Other experience	(5,546)	760
Effect of settlements	2,122	0
Benefits paid	2,499	2,529
Unfunded benefits paid	126	130
Closing balance – 31st March	(85,504)	(100,906)

The Local Government Pension Scheme assets comprised:

Period Ended 31 March 2015				
Asset category	Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
Equity Securities:				
Consumer	3,076.9	-	3,076.9	5%
Manufacturing	1,367.9	-	1,367.9	2%
Energy and Utilities	1,454.3	-	1,454.3	3%
Financial Institutions	2,722.0	-	2,722.0	5%
Health and Care	545.3	-	545.3	1%
Information Technology	-	-	-	0%
Other	1,374.6	-	1,374.6	2%
Debt Securities:				
Corporate Bonds (investment grade)	2,910.9	-	2,910.9	5%
Corporate Bonds (non-investment grade)	219.3	-	219.3	0%
UK Government	5,397.2	-	5,397.2	9%
Other	939.0	-	939.0	2%
Private Equity:				
All	-	171.1	171.1	0%
Real Estate:				
UK Property	2,843.5	984.3	3,827.8	7%
Overseas Property	-	294.9	294.9	1%
Investment Funds and Unit Trusts:				
Equities	1,893.3	25,017.0	26,910.3	47%
Bonds	2,485.7	152.2	2,637.9	5%
Hedge Funds	-	-	-	0%
Commodities	-	-	-	0%
Infrastructure	-	-	-	0%
Other	-	2,623.9	2,623.9	5%
Derivatives:				
Inflation	-	-	-	0%
Interest Rate	-	-	-	0%
Foreign Exchange	-	-	-	0%
Other	(3.5)	-	(3.5)	0%
Cash and Cash Equivalents:				
All	867.2	-	867.2	2%
Totals	28,094	29,243	57,337	100%

The Local Government Pension Scheme assets (13/14) comprised:

Asset category	Period Ended 31 March 2014				Period Ended 31 March 2013			
	Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of Total Assets	Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
Equity Securities:								
Consumer	2,863.3	-	2,863.3	6%	2,403.6	-	2,403.6	5%
Manufacturing	1,198.2	-	1,198.2	2%	987.4	-	987.4	2%
Energy and Utilities	1,642.3	-	1,642.3	3%	1,551.0	-	1,551.0	3%
Financial Institutions	2,491.6	-	2,491.6	5%	2,155.4	-	2,155.4	5%
Health and Care	557.6	-	557.6	1%	493.9	-	493.9	1%
Information Technology	77.9	-	77.9	0%	164.5	-	164.5	0%
Other	1,850.8	-	1,850.8	4%	1,555.7	-	1,555.7	3%
Debt Securities:								
Corporate Bonds (investment grade)	2,387.9	-	2,387.9	5%	2,393.0	-	2,393.0	5%
Corporate Bonds (non-investment grade)	159.2	-	159.2	0%	130.1	-	130.1	0%
UK Government	4,477.5	-	4,477.5	9%	4,740.8	-	4,740.8	10%
Other	362.2	-	362.2	1%	165.1	-	165.1	0%
Private Equity:								
All	-	167.1	167.1	0%	-	144.1	144.1	0%
Real Estate:								
UK Property	2,262.1	520.0	2,782.1	6%	2,105.4	297.3	2,402.7	5%
Overseas Property	-	173.5	173.5	0%	-	171.2	171.2	0%
Investment Funds and Unit Trusts:								
Equities	1,602.3	21,733.2	23,335.5	47%	1,722.4	19,330.7	21,053.1	46%
Bonds	2,151.6	50.3	2,201.8	4%	1,977.8	52.0	2,029.8	4%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	2,316.1	2,316.1	5%	-	2,085.0	2,085.0	5%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	8.8	-	8.8	0%	0.1	-	0.1	0%
Other	(2.5)	-	(2.5)	0%	(3.6)	-	(3.6)	0%
Cash and Cash Equivalents:								
All	844.9	-	844.9	2%	848.9	-	848.9	2%
Totals	24,935	24,960	49,896	100%	23,392	22,080	45,472	100%

Basis for estimating assets and liabilities

An estimate of the pensions that will be payable in future years is dependant on a number of assumptions about mortality rates, salary levels, etc. The scheme's actuary [Hymans Robertson LLP] has used the following principal assumptions:

Long-term expected rate of return on assets in the scheme:

Rate of return:	2013/14	2014/15
• Equity investments	6.6%	3.2%
• Bonds	3.8%	3.2%
• Property assets	4.7%	3.2%
• Cash	3.7%	3.2%

Mortality assumptions:

Life expectancy is based upon the Fund's Club Vita analysis which was carried out for the formal funding valuation as at 31st March 2013. Improvements have been applied that are in line with the CMI 2010 assuming the rate of longevity improvements has reached a peak and will converge to a long term rate of 1.25%. Based upon these assumptions, the average future life expectancies at age 65 are summarised as follows:

Mortality assumptions:	Males	Females
• Current pensioners	22.5 years	24.6 years
• Future pensioners [those aged 45 at March 2013]	24.4 years	27.0 years

Financial assumptions:

Assumptions:	2013/14	2014/15
• Rate of inflation (CPI)	2.8%	2.4%
• Rate of increase in pensions	2.8%	2.4%
• Rate of increase in salaries	4.1%	3.8%
• Discount rate	4.3%	3.2%

Included in the assumptions is an allowance for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

The pension scheme assets consist of the following categories, by proportion of the total assets held:

Type of investment, at:	31 st March 14	31 st March 15
• Equity investments	73%	74%
• Bonds	19%	17%
• Property assets	6%	7%
• Cash	2%	2%

Sensitivity analysis – Pension Fund

IAS19 requires the disclosure of the sensitivity of results where particular methods and assumptions have been used. In accounting for the Pension Fund, the actuary applies a number of assumptions in measuring the scheme liabilities. Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Affect of change in assumption – re. 31 st March 2015:	Approx. increase in liability (%)	Approx. increase in liability (£)
0.5% decrease in Real Discount Rate	10%	10,378,000
1 year increase in member life expectancy	3%	3,027,000
0.5% increase in the Salary Increase Rate	3%	3,126,000
0.5% increase in the Pension Increase Rate	7%	7,049,000

Scheme History

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Fair value of employer assets	38,479	39,525	45,472	49,896	57,337
Present value of liabilities	(59,176)	(65,313)	(75,971)	(85,504)	(100,906)
Surplus / (deficit)	(20,697)	(25,788)	(30,499)	(35,609)	(43,569)

The liabilities show the underlying commitment the authority has in the long term to pay retirement benefits. The net liability is recorded on the balance sheet of the authority, reducing the net worth of the Council.

The estimated employer's contributions for the year to 31st March 2016 will be approximately £2,327,000

48. Contingent liabilities

There are no contingent liabilities to disclose at the balance sheet date.

49. Contingent assetsValue Added Tax

The VAT debtor in the accounts at the balance sheet date represents the payment due to the Council for the year ending 31st March. In addition to this, the Council is pursuing a possible retrospective VAT claim regarding VAT on off-street car parking. The Council's claim is 'held' awaiting a ruling in the case of the "Isle of Wight County Council (and friends)". As the issue is dependant upon a ruling by the Courts. The indications are that a decision will be made against the Councils. At this point no figure has been included in the accounts.

Right to buy clawback

Under the agreement for the transfer of the Council's housing stock to Fosseyway Housing Association in 1997 [now Bromford Housing], the Council is entitled to a share of the proceeds of the housing stock sold under 'Right to Buy' legislation. The amount of the receipt depends upon the number of properties sold during the financial year, and as a result can vary significantly from year to year. As a result of the level of uncertainty of timings and amounts of possible receipts, no figure has been included in the Council's accounts for any future sales.

50. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any external borrowing. As such, the key risks are in relation to its financial assets. These are as follows:

- Credit risk – the possibility that other parties may fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus upon the unpredictability of financial markets and implementing procedures to minimise these risks. Procedures for risk management are set-out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued through the Act. These procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA code of Practice for Treasury Management Services
- By approving annually in advance prudential indicators for the following three years limiting:
 - Limits on the Council's overall debt [external borrowing]
 - The Council's maturity structure of its borrowing [currently £0]
 - The Council's upper limit for exposure to fixed and variable rate investments
 - The maximum exposure to investments maturing beyond a year
- By annually approving a Treasury Management Investment Strategy for the forthcoming year, setting out criteria for investments and specifying the minimum requirements for all counterparties

Prudential indicators and the treasury management annual investment strategy are reported to, and approved by, full Council prior to the start of the financial year. Actual performance is reported at half and full-year intervals to full Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Treasury Management Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit rating criteria. The strategy also imposes upper limits on the amounts that can be invested with each financial institution. Full details of the minimum credit ratings can be found in the appendix to the Treasury Management annual investment strategy, which can be viewed via the Council's web-site (www.cotswold.gov.uk).

The ratings of the financial institutions holding Council investments (and investments classified as 'cash equivalents') at the balance sheet date is as follows:

Rating	Investment balance £000
<u>Fixed duration deals</u>	
Banks – Fitch rating F1	9,058
Building Societies – Fitch rating F1	2,505
Glitnir escrow account – original balance (not rated)	447
<u>Call accounts and other 'cash-equivalent' investments:</u>	
Fitch rating F1	3,280
Fitch rating AAAmmf	3,831
<u>Pooled funds</u>	
Non-rating agency rated pooled fund [separately approved by the Council's treasury management advisors]	2,045
	21,166

At the balance sheet date, the Council's investments and investments classified as 'cash equivalents' for financial reporting purposes were distributed as follows:

	Investment values in £000 - Maturing within:			
	0-3 months	3-6 months	6-12 months	1 year +
<u>Internally managed funds:</u>				
Call accounts	7,112			
UK banks	3,025	6,033		
UK building societies	1,504	1,001		
UK local authorities				
<u>Externally managed funds:</u>				
Pooled funds	2,045			
Glitnir escrow account #			447	
	13,686	7,034	447	-

Within the above 6-12 month figure is the remaining balance due to the Council from its investment with the Icelandic bank Glitnir. The balance of approximately £477,000 [at 31.3.15 exchange rates], is currently held in an Escrow account in Iceland. Based upon LAAP 82 (update 7) the Council has opted to classify the balance as a short-term investment, although the precise timing of its return remains uncertain.

Liquidity Risk

The Council manages its cash flow to ensure cash is available when it is needed. In the event of an unexpected cash requirement, the Council has the ability to borrow from the money markets to cover any short-term requirement.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its financial commitments under financial instruments.

Market risk – interest rate risk

The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing periods. For example, a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure account will rise
- Investments at fixed rates – the fair value of the assets will fall

The Council has a number of strategies for managing interest rate risk. The Council's Medium Term Financial Strategy (MTFS) includes provision for expected movements in interest rates. Prior to the start of each year, a maximum limit is set upon the fixed and variable interest rate exposures. The in-house treasury management team will monitor market and forecast interest rates within the year and adjust exposures accordingly. For instance, during periods of falling interest rates, and where economic conditions make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

Changes in interest payable and interest receivable on investments will be posted to the Comprehensive Income and Expenditure account and affects the balance on the General Fund.

If interest rates had been 0.5% higher during the year (and all other factors remain unchanged), the effect upon the Comprehensive Income & Expenditure Account would have been as follows:

	2014/15 £
Increase in interest payable on borrowing	0
Increase in interest received from investments	(118,449)
Impact on the Surplus / Deficit on the Provision of Services*	(118,449)

* Extra income, shown as a negative balance above (-), would represent extra income and will increase the surplus or reduce the deficit on the provision of services, and ultimately increase the General Fund Balance.

Should interest rates have been 0.5% lower, the entries in the table above would be reversed.

Foreign Exchange Risk

The Authority has one financial asset denominated in Icelandic Krona. The investment is held in an escrow account in Iceland. Movements in exchange rates will impact on the value of the investment. At the balance sheet date (or the date the investment matures) the investment will be valued, based upon the current exchange rate. Any change in investment value will be debited or credited to the 'financing and investing income & expenditure' section of the Comprehensive Income & Expenditure Account and shown as an exchange rate gain/loss.

In 2014/15 the Council accounted for a loss of £35,866 on its investment (gain of £2,093 in 2013/14), due to unfavourable changes in exchange rates. At the balance sheet date the escrow account was valued at 91,405,453 ISK, which converts to £448,741.

51. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets. The Code has adopted the principles set out in Financial Reporting Standard (FRS) 30. Where assets have a value which can be reliably measured, the assets should be included on the Council's Balance Sheet. However, the Code allows that where this information is not available, or cannot be obtained at a value which is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet.

Nature and scale of heritage assets held by the authority

The Council owns and operates the Corinium Museum in Cirencester. The museum and museum store (in Northleach) combined hold approximately 1-million objects, originating mainly from the Cotswold district and surrounding area. The collection can be classified into one of the following categories:

- The Pre-history collections
- The Romano-British collections
- The Anglo-Saxon collections
- The Medieval collections
- The Post-Medieval collections
- The agricultural collections
- The textile collections
- Photograph and paper ephemera collections
- Social history collections

The principal artefact on exhibit is a Hare Mosaic in the Romano-British collection. The mosaic is considered to be very rare. It depicts the hare in a seated position. The item however, is on loan to the Council, with the condition that the mosaic is available for the public to see.

Acquisition, preservation, management and disposal

The museum collection is either on display in the Corinium Museum (in Cirencester) or held in the museum store (in Northleach). The museum collection has been catalogued and is searchable via the Council's website. If the item is not currently on display arrangements can be made to visit the museum store or have the artefact transported over to the museum in Cirencester for viewing.

The key purpose of the Cotswold Museum Service is:

To collect; record; care for; promote understanding and appreciation of; and support the history, culture and heritage of the Cotswolds for the benefit of local communities, schools, and visitors to the area.

The museum principally contains artefacts relating to Cirencester and the surrounding area and has one of most extensive Romano-British collections in the Country.

The Council is committed to preserving and displaying its museum collection. This view is emphasised in the Corinium Museum Acquisitions and Disposals Plan [2008], which states that: *'the museum will not undertake disposal motivated principally by financial reasons,'* and continues on, that in the case of disposal: *'Once a decision to dispose of an item has been made, priority will be given to retaining the item within the public domain, unless it is to be destroyed. It will therefore be offered first, by exchange, gift or sale to Accredited Museums likely to be interested in its acquisitions.'* For a full copy of the Museum acquisitions and disposals policy please visit the Leisure and Culture section of the Council's website (www.cotswold.gov.uk) and look under the section marked 'policies'.

Assets not included on the Council's balance sheet

While many of the artefacts in the Museum collection would meet the newly adopted classification of Heritage Assets, any benefit to the user of the accounts of obtaining a (highly subjective) valuation of the assets has not been deemed worth the cost.

The Council has adopted a policy to not formally value or record the museum collection on the Council's Balance Sheet where no reliable value currently exists. The Council has taken the view that the artefacts have no monetary value, as any figure recorded on the balance sheet will never be realised. To the readers of the accounts, any balance could therefore be misleading and overstate the Council's net worth.

Where assets have been purchased or a purchase cost/valuation is readily available the assets have been included on the balance sheet at historic cost.

Other non-museum-related heritage assets

Within the boundaries of the council's Trinity Road offices is the 'Cirencester lock-up'. The building was once used as prison cells for Cirencester. The Council's valuers have assigned the building a value of £0.

Movement in heritage assets 2010/11, 2011/12, 2012/13, 2013/14 and 2014/15

Non-current assets reported at historic cost

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Opening balance – 1 st April	17,000	17,000	17,000	17,000	17,000
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations/impairments	0	0	0	0	0
Closing balance – 31 st March	17,000	17,000	17,000	17,000	17,000

There have been no other material acquisitions or disposals of assets during this time.

The Council includes no other heritage assets on the Balance Sheet.

Group Accounts

The Group Accounts bring together the council's accounts with its share of those of Ubico Limited (the Company), in which the council has a 50% (£1) shareholding (the remaining 50% shares (£1) are owned by Cheltenham Borough Council).

The purpose of the Group Accounts is to reflect the full value of the Council's investments in companies within the council's financial statements, since the Council's shareholdings may not fully reflect its share of the company's assets and liabilities.

The Company has been categorised as Joint Venture as all decisions regarding the operating and financial policies of the company require the consent of another party in addition to Cotswold District Council. The company is in effect jointly controlled by Cotswold District Council and Cheltenham Borough Council.

The company's assets and liabilities have therefore been consolidated with the Council's in accordance with IAS 31, which requires the Gross Equity Method to be used when consolidating joint ventures. Under this method, the council's share of the operating result of the company before tax is reported as a separate line after the net surplus or deficit on the provision of services within the Group Comprehensive Income and Expenditure Statement. Any taxation is disclosed as a separate line.

In the Group Balance Sheet the Council's share of the company's net assets or liabilities is included as a long-term investment or liability, matched by the council's share of the company's reserves. There is no requirement to adjust for transactions carried out and balances held between the council and the company. The cash flows of the company are also not required to be shown with those of the council.

The company was established during 2011/12 and commenced operations on 1 April 2012, providing environmental services (street cleaning, refuse collection, recycling and grounds maintenance) to Cheltenham Borough Council for the full financial year 2012/13, and for Cotswold District Council from 6 August 2012. 2013/14 saw the first year where Ubico provided services to both Councils for the full year.

The company provides services to the shareholder councils on a not-for-profit basis and therefore qualifies for the Teckal exemption (named after the EU case that established the principle). In these circumstances the company is treated as if it were an in house department and the shareholder Councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process. The company must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 10% of its total activity. The company also provides ad-hoc services to third parties and provides supplies and services to Tewkesbury Borough Council and Cheltenham Borough Homes.

The company (registration No. 07824292) is limited by guarantee and governed by its memorandum and articles of association. The liability in respect of the guarantee is set out in the memorandum of association and is limited to £1 per member of the company.

The company's accounts for the 12 months ending 31st March 2015 can be obtained from the Managing Director at the company's registered office – Central Depot, Swindon Road, Cheltenham GL51 9JZ, or via link on the Council's website.

Group Comprehensive Income and Expenditure Statement

This statement shows the cost in the year of providing group services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2013/14 Gross Expenditure £	2013/14 Income £	2013/14 Net Expenditure [restated] £	2014/15 Gross Expenditure £	2014/15 Income £	2014/15 Net Expenditure £	Note
Cultural and related service	3,894,611	(1,256,633)	2,637,978	1,448,024	(205,380)	1,242,644	
Environmental and regulatory services	7,653,827	(2,573,007)	5,080,820	7,687,864	(2,769,701)	4,918,163	
Planning services	3,295,046	(1,583,927)	1,711,119	4,161,989	(2,006,186)	2,155,803	
Highways, Roads and Transport Services	992,599	(2,361,905)	(1,369,306)	1,030,599	(2,465,436)	(1,434,837)	
Housing Services	22,786,199	(21,231,403)	1,554,796	23,282,774	(21,639,356)	1,643,418	
Corporate and Democratic Core	1,432,156	(218,753)	1,213,403	1,690,733	(182,095)	1,508,638	
Non Distributed Costs	860,397	0	860,397	52,862	0	52,862	
Central Services to the Public	4,247,507	(3,749,176)	498,331	4,766,009	(4,020,695)	745,315	
Cost of Services - continuing operations	45,162,343	(32,974,804)	12,187,539	44,120,854	(33,288,848)	10,832,006	
Other Operating Expenditure	4,781,300	(728,212)	4,053,088	2,312,047	(2,176,994)	135,053	9
Financing and Investment Income and Expenditure	1,825,206	(858,815)	966,391	1,945,621	(852,222)	1,093,399	10
Taxation and Non-Specific Grant Income	10,496,672	(23,123,802)	(12,627,130)	10,283,853	(23,105,844)	(12,821,991)	11
(Surplus) or Deficit on Provision of Services	62,265,521	(57,685,633)	4,579,889	58,662,376	(59,423,909)	(761,533)	
Share of (surplus) or deficit on Joint Ventures	*	(42,451)	(42,451)			5,500	
Share of tax expense on Joint Ventures			12,500			(12,500)	
Group (Surplus) or Deficit on Provision of Services			4,549,938			(768,533)	
(Surplus) or deficit on revaluation of non current assets			(2,863,733)			(19,842,781)	
(Surplus) or deficit on revaluation of available for sale financial assets			(2,456)			(10,912)	
Remeasurement of the net defined benefit liability			4,608,000			7,129,000	
Share of other comprehensive income and expenditure of Joint Ventures	*	(102,500)	(102,500)			1,233,500	
Other Comprehensive Income and Expenditure			1,639,311			(11,491,193)	
Total Comprehensive Income and Expenditure			6,189,249			(12,259,726)	

Group movement on reserves statement 2014/15

GROUP Movement on Reserves Statement 2014/15

This statement shows the movement in the year in the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Authority Reserves	Share of Group Reserves	Total Group Reserves
	£	£	£	£	£	£	£	£	£
Balance at 31 March 2014	2,839,699	4,196,133	206,943	7,941,163	15,183,938	6,215,103	21,399,040	(91,001)	21,308,039
Surplus/(deficit) on provision of services (accounting basis)	761,533	0	0	0	761,533	0	761,533	7,000	768,533
Other Comprehensive Expenditure and Income	0	0	0	0	0	12,724,693	12,724,693	(1,233,500)	11,491,193
Total Comprehensive Income & Expenditure	761,533	0	0	0	761,533	12,724,693	13,486,226	(1,226,500)	12,259,726
Adjustments between accounting basis & funding basis under regulations [see Note 7 to the Accounts]	(84,071)	0	0	0	(84,071)	(687,591)	(771,662)	0	(771,662)
Other movements in reserves	0	0	(51,580)	3,078,060	3,026,480	(2,254,818)	771,662	0	771,662
Net increase / (Decrease) in GF balance before Transfers to Earmarked Reserves	677,463	0	(51,580)	3,078,060	3,703,943	9,782,283	13,486,226	(1,226,500)	12,259,726
Transfers (to) / from earmarked reserves	44,442	(44,442)	0	0	0	0	0	0	0
Transfers (to) / from Business Rates movement reserve	(650,000)	650,000	0	0	0	0	0	0	0
Increase / (Decrease) in Year	71,904	605,558	(51,580)	3,078,060	3,703,943	9,782,283	13,486,226	(1,226,500)	12,259,726
Balance at 31 March 2015	2,911,603	4,801,691	155,363	11,019,223	18,887,881	15,987,386	34,885,267	(1,317,501)	33,567,766

Group movement on reserves statement 2013/14

[restated]

GROUP Movement in Reserves Statement - 2013/14

This statement shows the movement in the year in the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	General Fund Balance		Earmarked Reserves		Capital Grants Unapplied		Capital Receipts Reserve		Total Usable Reserves		Unusable Reserves		Total Authority Reserves		Share of Group Reserves		Total Group Reserves	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Balance at 31 March 2013	1,813,082	4,903,351	323,478	8,726,433	15,766,345	11,954,396	27,720,740	(223,452)	27,497,288									
Surplus/(deficit) on provision of services (accounting basis)	(4,579,889)	0	0	0	(4,579,889)	0	(4,579,889)	0	(4,579,889)	0	0	(4,579,889)	29,951 *	(4,549,938)				
Other Comprehensive Expenditure and Income	0	0	0	0	0	(1,741,811)	(1,741,811)	0	(1,741,811)	(1,741,811)	0	(1,741,811)	102,500 *	(1,639,311)				
Total Comprehensive Income & Expenditure	(4,579,889)	0	0	0	(4,579,889)	(1,741,811)	(6,321,700)	0	(4,579,889)	(1,741,811)	(6,321,700)	(6,321,700)	132,451	(6,189,249)				
Adjustments between accounting basis & funding basis	5,399,287	0	0	0	5,399,287	(1,160,295)	4,239,051	0	4,239,051	0	0	4,239,051	0	0				
Other movements in reserves	0	(500,000)	(116,535)	(785,270)	(1,401,805)	(2,837,247)	(4,239,051)	0	(4,239,051)	(2,837,247)	0	(4,239,051)	0	0				
Net Increase / (Decrease) in GF balance before	819,398	(500,000)	(116,535)	(785,270)	(582,407)	(5,739,293)	(6,321,700)	0	(582,407)	(5,739,293)	(6,321,700)	(6,321,700)	132,451	(6,189,249)				
Transfers (to) / from earmarked reserves	207,218	(207,218)	0	0	0	0	0	0	0	0	0	0	0	0				
Increase / (Decrease) in Year	1,026,616	(707,218)	(116,535)	(785,270)	(582,407)	(5,739,293)	(6,321,700)	0	(582,407)	(5,739,293)	(6,321,700)	(6,321,700)	132,451	(6,189,249)				
Balance at 31 March 2014	2,839,699	4,196,133	206,943	7,941,163	15,183,938	6,215,103	21,399,040	(91,001)	21,308,039									

Group Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by reserves held.

31st March 2014 £		Note	31st March 2015 £
[restated] *			
32,429,529	Property, Plant & Equipment	12	47,070,609
0	Assets under construction	12	133,357
17,000	Heritage Assets	51	17,000
5,185,499	Investment Property	13	5,050,299
493,867	Intangible Assets	14	362,853
0	Long Term Investments	15	0
3,610,604	Long Term Debtors	18	3,255,080
41,736,499	Long Term Assets		55,889,199
12,549,281	Short Term Investments	15	14,054,834
12,907	Inventories	16	29,081
3,611,747	Short Term Debtors	18	3,639,186
4,315,159	Cash and Cash Equivalents	19	7,128,693
486,487	Assets held for sale	20	4,235,829
20,975,582	Current Assets		29,087,623
0	Bank Overdraft		0
(4,023,530)	Short Term Creditors	21	(4,411,833)
(862,566)	Short Term Creditors - s.106 balances	21	(733,207)
(507,822)	Provisions	22	(1,080,424)
(5,393,918)	Current Liabilities		(6,225,465)
0	Long Term Creditors		0
(35,608,000)	Other Long Term Liabilities	33	(43,569,000)
(91,001) *	Long term liabilities of Joint Ventures		(1,317,501)
(311,124)	Capital Grants Receipts in Advance	38	(297,092)
(36,010,125)	Long Term Liabilities		(45,183,593)
21,308,038	Net Assets		33,567,764
15,183,937	Usable reserves	23	18,887,880
6,124,101 *	Unusable Reserves	G1	14,679,884
21,308,038	Total Reserves		33,567,764

Group Cash Flow Statement

The cash flow statement summarises the flows of cash that have taken place into and out of the authority's bank accounts over the financial year.

	Note	2013/14 £000s	2014/15 £000s
Net (surplus) or deficit on the provision of services		4,550	(769)
Adjustments to net surplus or deficit on the provision of services to exclude non-cash movements		(6,068)	(2,978)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		783	2,193
Net cash flows from Operating Activities	25	(735)	(1,554)
Investing Activities	26	1,990	(1,259)
Financing Activities	27	0	0
Net (increase) or decrease in cash and cash equivalents		1,255	(2,813)
Cash and cash equivalents at 1st April		(5,569)	(4,315)
Cash and cash equivalents at 31st March		(4,315)	(7,128)

Notes to the Group Accounts

The note below relates specifically to the Group Accounts. The remaining note references from the Comprehensive Income & Expenditure and Balance Sheet relate back to the notes in the single entity accounts.

Restatement of Group Balances 2013/14

As part of the preparation of the Ubico Ltd Statement of Accounts an inconsistency was spotted in the figures consolidated into the Council's group accounts. In summary, the IAS19 [Pension Fund] '*Interest Income*' figure posted to the Profit & Loss Account was understated by £70,000. Conversely, the '*Actuarial Gains/(losses) relating to the Pension Scheme*' posted to the Statement of Total Recognised Gains and Losses was overstated by £70,000.

The 2013/14 Ubico Ltd accounts have been adjusted and the inconsistency amended. As a result the Group Account statements have also been restated. The balances within the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement have changed. The balance sheet and the 'net worth' of the Group has not changed as a result of the correction.

Please read the Ubico Ltd Statement of Accounts for further details. A link to the Ubico accounts can be obtained via the Council's website.

G1. Unusable reserves

The unusable reserves of the Group can be broken down as follows:

Summary of Group Unusable Reserves	31st March 2014 £	31st March 2015 £
Revaluation Reserve	7,948,176	27,302,440
Capital Adjustment Account	31,900,780	30,8704,082
Pension Reserve	(35,608,000)	(43,569,000)
Deferred Capital Receipts Reserve	2,655,409	1,966,958
Collection Fund Adjustment Account	(588,020)	443,612
Accumulated Absences Account	(127,028)	(108,179)
Available for sale financial instruments reserve	33,784	44,696
Joint Ventures [Ubico] Reserve	(91,001)	(1,238,501)
Total Unusable Reserves	6,124,101	14,758,884

The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2013/14 £		Note	2014/15 £
<u>INCOME</u>			
54,464,951	Council Tax	C1	55,808,256
28,424,970	Non-Domestic Rates	C2	29,333,585
165,585	Transitional Protection Payments - non-domestic rates		50,452
-	Contributions towards previous year's deficit - non-domestic rates		1,822,489
<u>83,055,506</u>	Total Income		<u>87,014,782</u>
<u>EXPENDITURE</u>			
Precepts and Demands:			
39,476,427	Gloucestershire County Council		40,246,593
7,373,277	Gloucestershire Police and Crime Commissioner		7,666,598
7,074,772	Cotswold District Council		7,100,746
Business rates:			
14,356,095	Shares to County Council and the Authority		14,512,529
14,356,096	Payment of central share to government		14,512,532
179,896	Charge payable to General Fund for Costs of Collection		180,018
-	Other transfers to General Fund per regulations - Renewable Energy schemes		67,176
Impairment of debts/appeals for Council Tax			
81,132	Write Offs		97,707
15,734	Increase / (decrease) in Provision		39,957
Impairment of debts/appeals for non-domestic rates			
123,101	Write Offs		506,468
1,215,635	Increase in Provision		1,232,497
602,000	Contributions towards previous year's surplus - council tax		640,400
<u>84,854,165</u>	Total Expenditure		<u>86,803,221</u>
(1,798,659)	Surplus / (Deficit) for the Year		211,561
743,172	Fund Balance at 1st April		(1,055,487)
<u>(1,055,487)</u>	Fund Balance at 31st March	C3	<u>(843,926)</u>

Notes to the Collection Fund**Note C1 The Collection Fund**

The Council is required to maintain a separate Collection Fund Account to record transactions relating to council tax.

Collection fund income is as follows:

	2013/14 £	2014/15 £
Council Tax due from taxpayers	58,939,923	59,848,237
Council Tax benefits and transitional relief	(4,474,971)	(4,039,981)
	54,464,952	55,808,256

Council tax was introduced on 1st April 1993, and is a property based tax. A 25% reduction is made for single occupancy and a 50% reduction for void periods. The District Valuer valued all domestic property in the area and placed them into one of nine bands. A factor is then applied to each band so that the tax base can be expressed as a "Band D" equivalent (see below).

From 1st April 2004 the Council Tax Regulations have been amended to enable a charge of up to 90% of the full Council Tax (previously the limit was 50%) in respect of second homes and empty properties. This amendment was applied from 1st April 2004.

Band	Estimated number of properties in each band (adjusted for discounts)	Ratio	Band "D" Equivalents 2014/15
A-	4.50	5/9	2.5
A	2,805.75	6/9	1,891.83
B	4,101.00	7/9	3,276.30
C	8,860.25	8/9	8,094.05
D	6,106.97	1	3,860.02
E	5,006.00	11/9	6,269.95
F	3,758.50	13/9	5,583.60
G	3,596.75	15/9	6,252.15
H	581.25	18/9	1,180.75
	Contributions in lieu (South Cerney Barracks)		126.40
			36,537.55
<u>less:</u>	Adjustments for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, reliefs and exemptions, plus adjustments for new properties.		369.06
	(This amounts to 1% of the tax base)		
	Council Tax Base for 2014/15		36,906.6

Note C2 Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area. The total income collected for the year, less reliefs and discounts is as follows:

	2013/14 £	2014/15 £
Non-domestic rateable value	34,376,057	36,421,518
Less: allowances and other adjustments	(5,951,087)	(7,087,933)
	28,424,970	29,333,585

The rateable value is based upon the following two multipliers:

- Higher multiplier for 2014/15 48.2p
- Lower multiplier [small business rating multiplier] for 2014/15 47.1p

Total non-domestic rateable value at 31st March 2015 was £75,657,748.

Note C3 Precepts and Demands

The following Precepts were paid during the financial year:

	2013/14 £	2014/15 £
Gloucestershire County Council	39,476,427	40,246,593
Gloucestershire County Council - Fund Surplus	456,095	468,814
Gloucestershire Police and Crime Commissioner	7,373,277	7,666,598
Gloucestershire Police and Crime Commissioner - Surplus	85,519	87,564
District Council Precept	4,965,233	4,909,927
District Council – Collection Fund Surplus	60,386	84,022
Parish Precepts	2,109,539	2,190,329
	54,526,476	55,653,847

The parish precepts are distributed to parishes through the Council's General Fund.

Note C4 Provision for Uncollectable Amounts

Provision has been made within the accounts for uncollectable debts. At the 31st March the provision on the Collection Fund were as follows:

	2013/14 £	2014/15 £
Council Tax	257,227	297,184
National Non-Domestic Rates (NNDR)	1,242,057	2,474,554
Total provision	1,499,284	2,771,738

The movement on the Council Tax Provisions Account can be analysed as follows:

	2013/14 £	2014/15 £
Opening balance on the provision	322,625	257,227
Write-offs during the year	(81,132)	(97,707)
Additional provision required	15,734	137,664
Total provision	257,227	297,184

The movement on the Non Domestic Rate Provisions Account is as follows:

	2013/14 £	2014/15 £
Opening balance on the provision	149,523	1,242,057
Write-offs during the year	(123,101)	(506,468)
Additional provision required	1,215,635	1,738,965
Total provision	1,242,057	2,474,554

Note C5 Collection Fund Surplus

The table below shows the apportionment for the balance on the Collection Fund as at 31st March.

Council Tax	1st April 2014	Increase / (decrease) in year	31st March 2015
	£	£	£
Gloucestershire County Council	434,641	14,371	449,012
Gloucestershire Police & Crime Commissioner	82,054	2,773	84,827
Cotswold District Council	68,087	(890)	67,197
Surplus / (deficit)	584,782	16,254	601,036

Non-domestic rates			
Central Government (50%)	(820,135)	97,652	(722,483)
Gloucestershire County Council (10%)	(164,027)	19,533	(144,494)
Cotswold District Council (40%)	(656,107)	78,122	(577,985)
Surplus / (deficit)	(1,640,269)	195,307	(1,444,962)

Collection Fund Balance	(1,055,487)	211,561	(843,926)
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Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Finance Officer's responsibility

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31st March 2015.

Signed:

Date:

Jenny Poole

Chief Finance Officer

In accordance with regulation 10(3) Accounts and Audit Regulations 2003, the statement of accounts is approved by the Chairman of the Audit Committee, on behalf of Cotswold District Council, on 22nd September 2015.

Signed:

Date:

Cllr. Barry Dare

Chairman of Cotswold District Council Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COTSWOLD DISTRICT COUNCIL

Opinion on the financial statements

We have audited the financial statements of Cotswold District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Cotswold District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group's introduction to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounting statements

In our opinion the accounting statements:

- give a true and fair view of the financial position of Cotswold District Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the group accounts introduction for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether,

in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Cotswold District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Cotswold District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Golding
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

September 2015

Annual Governance Statement 2014-15

1. Scope of responsibility

- 1.1. Cotswold District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Cotswold District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3. Cotswold District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code can be obtained from Internal Audit. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

- 2.1. The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled including activities through which the Council accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cotswold District Council's policies, aims and objectives, to evaluate the likelihood and

potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

- 2.3. The governance framework has been in place at Cotswold District Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The governance framework

- 3.1. The annual governance statement includes a brief description of the key elements of the governance framework that the authority has in place.

- 3.2. CDC is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance. This document therefore sets out and describes the Council's commitment to corporate governance. It identifies the arrangements that have been made and will continue to be made, to ensure its effective implementation and application in all aspects of the Council's work.

- 3.3. For the purpose of this Local Code, CDC has accepted the definition of Corporate Governance as follows:

"Corporate governance is the system by which local authorities direct and control their functions and relate to their communities".

- 3.4. CDC recognises that effective local government relies upon the public having a level of confidence in both elected Members and Officers of their local Council.

- 3.5. Setting high standards of self-governance provides a clear and demonstrable lead to both our existing and potential partners.

- 3.6. This year we formally self-evaluated our current governance arrangements and produced this Annual Governance Statement. In order to review our current arrangements, we:

- Considered the extent to which we comply with the principles and requirements of good governance as set out in the Local Code of Corporate Governance
- identified systems, processes and documentation that provided evidence of compliance;
- identified the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation;

- Ensured that management and reporting arrangements were in place to monitor governance effectiveness;
 - identified the issues that had not been addressed adequately and considered how they should be addressed;
 - identified the individuals who were responsible for undertaking the actions required and plan accordingly;
 - Ensured risk management arrangements were in place and were operating effectively; and
 - Ensured that systems of control are working effectively.
- 3.7. Our assurance framework ensured that we had continuous governance arrangements in place. Assurance was obtained from a number of sources, for example, independent external inspection agencies, internal review functions and effective business management systems like performance and risk management. Maintenance and development of our assurance framework is overseen by the Audit & Scrutiny Committee.
- 3.8. Key supporting elements of the Council's Governance Framework are described below:
- 3.9. The Council's strategic and operational planning framework is determined by the Corporate Strategy and the Corporate Plan. The Corporate Strategy covers a four-year period with the Corporate Plan covering the plans for the next year. The Corporate Strategy and Corporate Plan is combined into one document which is an important reference source for staff, Councillors, stakeholders, partners and the public in that it sets out the Council's short and medium term plans.
- 3.10. Progress against the Corporate Plan is monitored and reported to Cabinet and Audit & Scrutiny Committee throughout the year. The quarterly finance/service performance report describes progress against the Council's top tasks and efficiency measures, and key tasks that contribute to the achievement of the Council's priorities, performance indicators, and risks identified during the service planning process. In addition, the report also contains an update on the Council's finances, both revenue outturn and capital expenditure.
- 3.11. The Council's decision-making processes are set out in the Constitution. Committee meetings are open to the public except where exempt and/or confidential matters are discussed, and schedules of meetings, agendas, reports and minutes are available to the

public on the Council's web site. A rolling Forward Plan is also available which details key decisions to be made in the coming four-month period and members of the public are able to make representations about any of these matters.

- 3.12. Democratic Services staff support Members in ensuring the requirements of the Constitution are adhered to. The Council's Monitoring Officer ensures compliance with established policies, procedures, laws and regulations, and Internal Audit further supports this through a risk based programme of audit work. The Council's External Auditor also comments on the Council's procedures for delivering value for money.
- 3.13. Risk registers are now well established both at service level and at corporate level. The service registers have been developed as an integral part of the service planning process and form part of the service delivery plans. The corporate risk register has six dimensions relating to different types of risks; these are overarching strategic risks, finance, customers, business processes, organisational learning and longer term risks. Risk management is well embedded with risk issues being discussed at Corporate Management Team meetings.. The Audit &Scrutiny Committee receives the full corporate risk register and key risks (primary) on the service risk registers as part of the quarterly finance/service performance report. Key risks are also reported to the Cabinet. The Risk Management Group meets regularly to review the risk registers in detail. The risk registers are at two levels; corporate and service. The service registers include service risks, capital risk and programme risks. If any of these service risks are scored 12 or higher they are escalated to the corporate register. This escalation allows decisions or actions to be taken at Corporate Team level where individual Heads of Service or the relevant Programme Board does not have the authority or resources to implement mitigating action. Risk management procedures continue to be closely aligned to the performance monitoring function.
- 3.14. The Council ensures accurate and timely performance information is produced to inform Corporate Team, Audit & Scrutiny Committee and Cabinet. This ensures that underperformance is identified early and remedial action is considered. All tasks and performance indicators as set out in the Service Delivery Plans are attributed to individual Heads of Service and Portfolio Holders to ensure direct accountability. Progress and performance is monitored using the Council's corporate performance management system, and reported on a quarterly basis.

- 3.15. The Council has good financial management mechanisms in place for monitoring and reporting against the medium term financial strategy and the budget for the year. A full review of cost centres is carried out each quarter with key variances being investigated and explained. The change programme "One Team" was introduced in 2009/10. Budget reports are provided to the Programme Team so that efficiency targets can be monitored and performance reported to the Board. Capital expenditure, which is linked to the corporate plan and the medium term financial strategy, is also monitored and reported to Members. The availability of Financial Rules and Contract Procedure Rules on the intranet, the advice and support provided by the Accountancy Section and the ongoing provision of training on financial matters ensures officers have the information and support they need to maintain a sound financial framework. The Financial Rules and Contract Procedure Rules are also available to Members and members of the public via the Constitution on the CDC website. In addition to publishing all accounts and Annual Audit Letters in accordance with legislative requirements, the Council also publishes a summary of its financial statements in a user friendly format as part of its annual report. The Council has embedded the core principles the Government's Transparency Agenda into its operations and has decided to publish all its financial spend (not just that which exceeds the thresholds contained in Government guidance) on its website on a monthly basis, and responds to any questions arising from this.
- 3.16. The Council's senior management is lead by a Shared Chief Executive and supported by a Joint Corporate Management Team which has overall management responsibility for both this Council and West Oxfordshire District Council. The Joint Corporate Management Team is further supported by Heads of Service, many of which are also shared positions with West Oxfordshire District Council. One of the Heads of Service is also shared with Cheltenham Borough Council and Forest of Dean District Council as she fulfils the role of Head of GO Shared Services, which provides services to all four councils

4. Review of effectiveness

- 4.1. Cotswold District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the certificates provided by the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 4.3. It comprises the systems and processes and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
- 4.4. The local Code of governance has been developed in accordance with and is consistent with the “Delivering Good Governance in Local Government: Framework” issued by the CIPFA/SOLACE Joint Working Group in December 2012.

4.5. Core Principles of Good Governance

The core governance principles of the Council are:

- 1) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- 2) Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- 3) promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- 4) taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- 5) developing the capacity and capability of members and officers to be effective; and
- 6) engaging with local people and other stakeholders to ensure robust public accountability.

4.6. Applying the Core Principles of Good Governance

- 4.6.1 The six core principles are each supported by a number of principles, which in turn have a range of specific requirements that apply across the Council's business. The Code of

Corporate Governance sets out how Cotswold District Council ensures compliance with these corporate governance principles.

1.	Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	
	<i>Supporting Principles</i>	<i>Practice at Cotswold District Council</i>
1.1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	<p>The Council has a Corporate Strategy and Corporate Plan spanning three years (2012- 2015) which outlines the Council's Aim 'to be recognised as the most efficient council in the country', the Council's Priorities and the Top Tasks to achieve those priorities. The Council's Aim and Priorities are determined by Members through Cabinet and Council, following consultation with the public.</p> <p>The Council also publishes an annual report, the 'Review of the Year' which sets out the Priorities and outlines achievements against them as well as other actions and details of the Council's finances and performance. The Corporate Strategy and Review of the Year are published on the Council's website.</p> <p>The Council is currently preparing a new Local Plan for the District. This will align with the National Planning Policy Framework and set out a long term plan for managing development up to 2031. Local Plans are important documents because they guide future planning decisions about what is built and where, including new homes and businesses. The Local Plan provides a spatial expression of the Council's Vision. The Council consulted in January and February 2015 on the draft Local Plan, including Development Strategy, spatial portrait, vision, strategic objectives and strategic policies as well as proposed site allocations for employment and housing. The Local Plan will be submitted for examination in 2016.</p>
1.2	Reviewing the authority's vision and its	The Corporate Strategy and Plan are

	implications for the authority's governance arrangements.	fundamentally reviewed every 4 years, linked to the election cycle, and updated annually having regard to new information (e.g. 2011 Census). The Top Tasks for the forthcoming year are also refreshed.
1.3	Translating the vision into objectives for the authority and its partnerships.	The Aim and Priorities in the Corporate Strategy are supported by a series of Top Tasks i.e. the most important key actions needed to meet the Priorities. Underpinning the Priorities and Top Tasks are Service Delivery Plans (SDPs) which set out how each service contributes to the achievement of the Council's Aim and Priorities, and identifies who is accountable
1.4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money.	<p>The Council's Aim 'to be recognised as the most efficient council in the country' is being measured using a basket of indicators based on cost, outputs and outcomes. A baseline has been established to gauge future progress and improvements. Progress on the Council's efficiency measures is reported to the Audit and Scrutiny Committee and Cabinet on a quarterly basis for review and challenge, along with other performance data, including the Council's top tasks, key tasks that contribute to the Council's Priorities, and performance indicator outturns.</p> <p>The Council has also identified the need to measure customer satisfaction. There are various means of measuring customer satisfaction across the Council and these are tailored to corporate and/or service specific needs. Examples include surveys of visitors and service users, comments cards etc. The Council also carries out consultation on its Budget Strategy annually to judge the public's views on its spending/savings plans.</p>
2.	Members and Officers working together to achieve a common purpose with clearly defined functions and roles	

2.1	Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.	<p>The Chief Executive is designated as the Head of the Paid Service. His duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with the West Oxfordshire DC under a formal secondment agreement. The respective roles of Leader and Chief Executive are set out in the Council's Constitution, underpinned by the more general requirements of the Member/Officer Protocol. Other aspects are contained in the Chief Executive's job specification. An appraisal process across the two Councils is in place.</p> <p>The Council has a Protocol which sets out the roles and responsibilities of Members and officers and gives guidance in relation to planning work.</p>
3.	Promoting the Council's values and upholding high standards of conduct and behaviour	
3.1	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.	<p>The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member/Officer Protocol, which set out guidelines as to behaviour and practical issues. A comprehensive induction programme provides further assistance to Members and officers as to their roles and responsibilities. The Constitution is also reviewed regularly reflecting legislative changes, guidance and best practice.</p>
4.	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	
4.1	Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.	<p>The Constitution contains a comprehensive description of the allocation of functions and responsibilities across the Member and Officer structures. The relevant sections are kept under regular review to ensure that it accurately reflects legislative and local requirements, guidance and</p>

		<p>best practice.</p> <p>The Council has a Data Quality Policy. At year end, officers are requested to verify the outturns of their performance indicators and to provide supporting evidence. Internal audit reviews performance management arrangements, including the outturns for a number of performance indicators annually.</p>
4.2	<p>Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.</p>	<p>The Council has a Risk Management Policy and risks are identified and managed both corporately and at service level, as part of the Performance Management process. The Risk Management Group meets quarterly and reviews the Corporate risk register. Decisions are made regarding risk scores, removing obsolete risks and adding new risks to the register. Audit and Scrutiny Committee has oversight of the Risk Management Policy and processes. Appropriate training is provided to Members and Officers. The standard committee report template also includes a section to highlight/identify associated risks.</p>
4.3	<p>Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained. Including the "<i>CIPFA code of practice on managing the risk of fraud and corruption</i>".</p>	<p>The Council has an Anti-Fraud and Corruption strategy. All new employees and members are briefed on the policies during their induction. Refresher training is provided to Heads of Service, managers and Members as required. Anti-fraud and corruption guidance is issued to all staff and managers. This guidance includes relevant Whistle-Blower Policy references and direction.</p> <p>In 2014-15 the Head of Audit Cotswolds successfully led a bid for funding to DCLG to combat fraud in the region via the establishment of a Gloucestershire-wide Counter Fraud Hub. Also counter fraud resources were maintained despite the introduction of the DWP Single Fraud Investigation Service in February 2015. Through this work the Council's Chief Finance Officer is able to make the following statement:</p>

		<p><i>"Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud."</i></p>
4.4	Ensuring effective management of change and transformation.	<p>The One Team programme controls and delivers the projects of change and this has been broadened to include joint working with WODC to deliver further efficiencies, in line with the Council's overall aim to be recognised as the most efficient Council in the country.</p> <p>Furthermore, the change programme 2020 Vision was introduced. This is a programme to develop further collaborative working between this authority and three others.</p>
4.5	Ensuring the authority's financial management arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)</i> and, where they do not, explain why and how they deliver the same impact.	<p>The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members (of that team). The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.</p> <p>Although the Chief Finance Officer does not report directly to the Chief Executive at Cotswold, she reports to the shared Strategic Director of Corporate Resources (also a qualified accountant with Chief Finance Officer responsibilities for West Oxfordshire District Council). Having access to a second individual with CFO skills and knowledge strengthens the Leadership Team at Cotswold. The Cotswold Chief Finance Officer has direct access to the Chief Executive as necessary. She also attends meetings of the Joint Corporate Management Team and Joint Heads of Service Team where she is able to fulfil her Chief Finance</p>

		Officer role.
4.6	Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit</i> (2010) and, where they do not, explain why and how they deliver the same impact.	The Head of Audit Cotswolds fulfils the role of Head of Internal Audit for Cotswold DC. Through the Partnership Section 101 Agreement, and the Job Description for the position, it is evidenced that the CIPFA role is delivered in full. A statement of the 5 Principles within the CIPFA role has been completed by the Head of Audit Cotswolds demonstrating compliance with this requirement.
4.7	Ensuring effective arrangements are in place for the discharge of the monitoring officer Function.	The Shared Head of Legal and Property Services is designated as the Monitoring Officer (with the Head of Democratic Services as Deputy). Duties in this regard are set out in the Council's Constitution and the officers' detailed job specifications. These Officers, supported by others within Democratic Services and Legal Services, ensure that the Council's decision-making processes comply with legislative and Constitutional requirements.
4.8	Ensuring effective arrangements are in place for the discharge of the head of paid service function.	The Chief Executive is designated as the Head of the Paid Service. His duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with the West Oxfordshire DC under a formal secondment agreement.
4.9	Undertaking the core functions of an audit committee, as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i> .	The Council has an Audit and Scrutiny Committee which was established during the 2013-14 municipal year and continued through 2014-15. The Audit and Scrutiny Committee receives reports from Internal and External Audit, reviews and recommends the Council's financial statements and Treasury Management reports to full Council. Full details of the terms of reference and functions of the Committee are set out in the Constitution.

4.10	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	All reports contain a section on legal implications, including comments relating to ultra vires where relevant. The Council's Contract Procedure Rules also include information relating to letting contracts under European Regulations.
4.11	Whistleblowing and receiving and investigating complaints from the public.	<p>The Council has published a whistle-blowing policy. The Council also has an Anti-Fraud and Corruption strategy. All new employees and members are briefed on these policies during their induction. Refresher training is provided to Heads of Service, managers and Members as required. This includes requirements within Contract Procedure Rules requiring contracting organisations to ensure that employees are made aware of the Council's Whistle Blowing Policy. The Whistle Blowing Policy is communicated to all existing contractors and ensuring they make their employees aware of how to access the Council's policy.</p> <p>The Council's complaints process includes a centrally managed recording system (using Excel) to log all complaints. This system enables reports to be generated including statistical data on numbers and types of complaint.</p>
5.	Developing the capacity and capability of Members and officers to be effective	
5.1	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	The induction programme provided for Members immediately after each District Council election, together with the on-going programme, aims to provide Members with the skills needed to perform their roles. Members are encouraged to identify individual and specific training and development needs. Members are also required to undertake training before performing some specific roles, such as planning and licensing. Officers are appraised annually and the process identifies any

		skills or training gaps. The Corporate Training Programme is developed from the identified training gaps.
6.	Engaging with local people and other stakeholders to ensure robust public accountability	
6.1	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	<p>The Council has a Communications and Engagement Strategy and actively consults with the public as appropriate. The Council also ensures that it undertakes targeted consultation on established groups such as representatives of the elderly, youth and people with disabilities, for instance, on specific service proposals which may affect them, as well as more general public consultation on the Council's Budget Strategy and the Council's Priorities.</p> <p>The Council also has an Equality Scheme, part of which sets out how the authority aims to consult with people from protected groups on proposals which may affect them. The Council aims to target engagement with protected groups at relevant groups, rather than a broad-brush approach. The Council annually publishes information which demonstrates how the Council complies with equality law.</p> <p>The Council has the Cotswold Community Conversation. Its purpose is to provide a forum for the Council to engage with other agencies and local communities to discuss issues of common interest. This allows partners to develop appropriate responses either in partnership or in the knowledge of what is already happening in the district. By helping to build trusted relationships the Conversation approach helps to strengthen channels of communication and engagement.</p> <p>The Council's Press and Media Liaison Officer seeks to provide extensive coverage of key issues on behalf of the Council, and to promote wide</p>

		<p>public awareness of the full range of Council policies, services and facilities. This is achieved through a variety of methods, including media releases, briefings, public fora, newsletters and tweets. The Council also produces its own newsletter (Cotswold News) from time to time, providing information and seeking feedback on important issues, which is circulated to every household in the District.</p> <p>There are several twitter accounts in the organisation, including the Chief Executive's, which are enabling the Council to keep in touch with residents and service users.</p> <p>The Council is currently preparing a new Local Plan for the District. This will align with the National Planning Policy Framework and set out a long term plan for managing development up to 2031. Local Plans are important documents because they guide future planning decisions about what is built and where, including new homes and businesses. The Local Plan provides a spatial expression of the Council's Vision. The Council consulted in January and February 2015 on the draft Local Plan, including Development Strategy, spatial portrait, vision, strategic objectives and strategic policies as well as proposed site allocations for employment and housing. The Local Plan will be submitted for examination in 2016.</p>
6.2	Enhancing the accountability for service delivery and effectiveness of other public service providers	<p>All tasks and performance indicators are attributed to individual Heads of Service and Portfolio Holders to ensure direct accountability. Service Delivery Plans identify key tasks and three year targets for performance indicators.</p> <p>Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must</p>

		<p>account to their communities the decisions they have taken and the rationale behind those decisions.</p> <p>All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Members and Officers are subject to codes of conduct. Additionally, if someone believes that maladministration may have occurred, the aggrieved person may lodge a formal complaint with the Council. If that person is not content with any response, then the matter can be pursued through the Local Government Ombudsman.</p>
6.3	<p>Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.</p>	<p>The Council's Partnership Framework and Toolkit which sets out the roles and responsibilities of those representing the Council on partnerships and gives guidance in relation to the management and governance of partnerships. The Council also maintains details of known Partnerships, which are reviewed from time to time.</p> <p>Furthermore, there is a shared working strategy to guide the operations of the various shared service/officer arrangements</p>

5. Significant Governance Issues during 2014-15

5.1 A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) which has identified what may be considered generally as a significant issue. These include:

- The issue has seriously prejudiced or prevented achievement of a principal objective;

- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

5.2 Based on the above; continued rigour is important in the following areas:

- During 2014/15, the Council engaged in the 2020 Vision Programme with Cheltenham Borough Council, Forest of Dean District Council and West Oxfordshire District Council. As part of this programme, the Chief Executive and one of the Strategic Directors were engaged upon programme work on an interim basis. Arrangements were put in place for the Strategic Director (Corporate Resources) to act as the Head of Paid Service during the interim period.
- There was one area of control framework risk that was reported in the Head of Internal Audit's Annual Opinion in relation to 2014-15. The internal audit of social media required an interim report to be issued due to significant control weaknesses. This report was presented to senior management and an action plan agreed to resolve the issues.

5.3 During 2014/15 a District Electoral Review was conducted by the Local Government Boundary Commission for England (LGBGE), As a result the Council will operate with 34 councillors with effect from the 2015/16 Municipal Year, i.e. 10 fewer than as at present. The Council has therefore reviewed the Member decision-making structure, to ensure that it is fit-for-purpose under the new arrangements. One significant change which will come into effect for the 2015/16 municipal year is the separation out of responsibilities for Audit and Scrutiny. The Audit responsibilities will be undertaken by an Audit Committee while the Overview and Scrutiny responsibilities will be undertaken by an Overview and Scrutiny Committee.

5.4 Over the coming year, the Council will continue to strive for effective, practical and robust corporate governance and deliver improvements where needed.

6. Approval of Leader and Chief Executive Officer

6.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

